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FINANCIAL TIMES

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***15p

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NEWS SUMMARY

GENERAL

Cabinet plans moon on Scots

Prime Minister is expected to make a Commons statement the middle of next week outlining the Government's plans for devolution, and at the same time tabling Orders annulling Scotland and Wales Acts. The Cabinet was yesterday expected to sort out the complex difficulties following Scottish referendum and negotiations are that the Government will keep alive its commitment to set up a Scottish Assembly.

The dilemma facing the Ministers is that they could face a vote of no confidence if they come to a vote on the Orders of mounting Opposition inside. Back Page

Bath attack

Former Tory Prime Minister Lord Heath, who took Britain to the EEC, accused the Minister of "crude bullying and jingoism" during recent Paris summit when attacked the EEC farm. Page 12

Vietnam offer

Nam has proposed talks in China in Hanoi or on the border to discuss their dispute over the Chinese troops in the border. China has no comment so far. Page 122

Clear check

Germany and the U.S. are signing a proposed German air reactor deal with Argonne to ensure that there is no use of atomic weapons. Page 3

Pal warning

John Paul, in his first official, attacked the failings of the Western and Communist models of society and warned of the dangers of increasing gap between rich and the poor. Page 3

Fishes arrested

Portuguese naval vessel seized seven Spanish fishing boats for illegally fishing inside territorial waters. The incident was the first reported since Portugal signed an agreement on Tuesday ending the long-running dispute over fishing rights off the Gal. Page 7

Jail protest

The first group of journalists inside the Maze Prison Belfast had muffled food on at them and urine under cell doors by IRA men. Page 7

Key quits

Key has decided to leave the Treaty Organisation, the military alliance from Pakistan and Iran with recently. Only Britain remains a member. Page 7

Boy hope

Narrow transplant boy Nolan could be out of hospital in three weeks, says at London's Westminster Hospital for Children following a new treatment to improve his resistance to infection. Page 7

Tally

Former Minister of Jim Slater, was expected to face charges in connection with Par Brothers International. Page 8

Eric Morecambe was unable to perform after suffering a heart attack. Snow is forecast for parts of Britain in the next two or three weeks, says the Weather. Page 8

EF PRICE CHANGES YESTERDAY

as in pence unless otherwise indicated

RISES

thnot Latham 176 + 6
man (Batham) 130 + 20
es & Agency 92 + 10
Metal 130 + 10
Samuel Wroth 370 + 20
of Fraser 169 + 6
Bros. 155 + 15
ars 45 + 2
ing (T) 70 + 9
e (J) 104 + 5
ley Hughes 284 + 6
w 390 + 18

FALLS

Treas. 13pc 1980 -1044 - 14
Treas. 13pc 2000-03 -2601 - 2
Beecham 677 - 8
GEC 373 - 8
Glaxo 547 - 9
Hogg Robinson 385 - 15
MFI Furniture 90 - 5
Marley 430 - 9
Racal Elect 110 - 6
Raybeck 155 - 4
Robertson Foods 155 - 4
Second City Props. 49 - 6
Utd. Scientific 278 - 11

BUSINESS

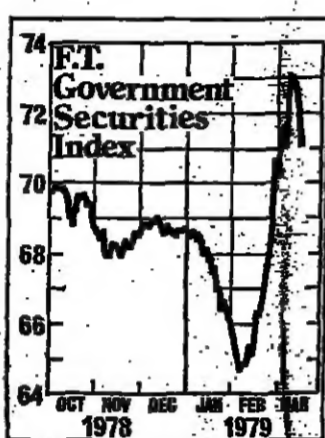
Equities fall 7.2; Gilts down 1.23

● EQUITIES fell quickly in the absence of institutional demand and the FT Ordinary Share Index closed 7.2 down at 5027.7.

● STERLING fell 10 points to \$2.0360 and its trade-weighted average fell to \$5.0 (85.1). The dollar's depreciation was unchanged at 8.4 per cent.

● GOLD rose \$1 to \$239 in thin trading in London.

● GILTS fell with the Government Securities Index down 1.23 at 71.06. Stockbrokers must share the blame with the Bank.



of England for the inadequate handling of the two Gilts issues on February 22, according to the Council for the Securities Industry. Back Page

● WALL STREET was up 1.30 at 946.67 just before the close.

● SYDNEY All Ordinary Index rose 2.02 to 593.66, its highest level for several years. Page 31

● BANK OF ENGLAND is to inject about \$450m into the banking system on Monday in an attempt to ease severe liquidity pressures produced by the recent very large sales of gilt-edged stock and other Government debt. Back Page

● FINAL attempt to persuade the clearing banks to set up a guarantee scheme for their loans to small firms is likely to be launched soon by Mr. Harold Lever. Back Page; Wilson Committee Report, Page 10

● EARLY cut in building society rates, following the fall in interest rates last month, was ruled out by the chairman of the Halifax. Page 9

● BRITAIN is in danger of falling behind its competitors in microelectronic technology, the Industry Minister warned. Page 7

● BRITISH AEROSPACE will show a "very respectable" return for last year on assets employed, according to the chairman. Page 7

● JAPAN's trade surplus with the rest of the world widened last month compared with January but Japanese imports rose by 30 per cent, the country's Finance Ministry announced. Page 6

● BARCLAYS travellers' cheques are on sale for the first time in China following an agreement by the Bank of China to become an agent for Barclays' sterling denominated cheques.

● KNIGHT, FRANK AND RUTLEY is expecting more than \$1.5m to be offered for the former college of St. Mark and St. John, in Chelsea, when it goes under the hammer later this year. Page 7

COMPANIES

● THYSEN, Western Europe's largest steel group, is cutting its dividend to DM 4 per DM 50 share from DM 550 after reporting a decline in net profits to DM 104.9m (DM 144.7m) Page 29

● SWEDISH MATCH group reports 1978 pre-tax profits, after extraordinary items, at SKr 4m (£0.4m), down from SKr 14m. An unchanged dividend of SKr 5 is proposed. Page 29

Lonrho plan to bid for SUITS gets monopoly go-ahead

BY ANDREW TAYLOR

Lonrho, the trading and industrial conglomerate, was yesterday given the all-clear by the Monopolies and Mergers Commission to proceed with its proposed bid for Scottish and Universal Investments, whose interests include whisky distilling and newspaper publishing.

Lonrho, which had been prevented from moving for SUITS for almost a year—while a Monopolies Commission investigation was carried out—last night indicated that it was still anxious to take control.

Mr. Tiny Rowland, Lonrho's chief executive, said: "We would have wasted shareholders' money if we did not intend to take this further."

The commission's 75-page report concludes that neither the acquisition of SUITS by Lonrho nor the consequent increase of Lonrho's stake in the House of Fraser—which owns Harrods store—was against the public interest.

The commission gives a generally favourable view of Lonrho's management style and operation—in marked contrast to a highly critical Department of Trade report published almost three years ago. The commission suggests that SUITS could benefit from Lonrho's "entrepreneurial drive and wider industrial and commercial experience."

The report says that although there would be some risk of detriment to the public interest, the degree of risk would not be sufficiently great for us to find

that the acquisition may be expected to operate against the public interest."

The commission had also been asked to investigate the effects on the House of Fraser of a Lonrho takeover of SUITS. Lonrho and SUITS together hold nearly 29 per cent of House of Fraser.

The commission concludes that although Lonrho would—if it acquired SUITS—be able to materially influence House of Fraser policy, it would not control it. This would not be expected to operate against the public interest.

However, the commission stresses that it had not been asked to investigate a full takeover offer by Lonrho for House of Fraser. If this was to happen, "a further reference to us could no doubt be made."

A reference for a monopolies investigation was made last year after Lonrho launched a takeover bid then valuing SUITS at £30m.

The move split the SUITS board with three directors, led by Mr. Hugh Laughton, the group's chief executive, opposing the bid with two directors, including Sir Hugh Fraser, deputy chairman, in favour of

Lonrho's offer.

Mr. Laughton said last night that he was disappointed about the commission's overall findings, but the group was glad to have had the opportunity of a breathing space—during which time SUITS had been trading strongly, and "the investment community has come more fully to appreciate the real value of our business."

Last night SUITS' share price stood at 140p compared with the price of 112p when Lonrho launched its share offer last April. Lonrho's share price was 71p, only slightly above the 69p level of 11 months ago.

Charterhouse, merchant bank advisers to SUITS, said last night that the group would be seeking an early meeting with Lonrho which controls a 29.24 per cent interest in SUITS.

The five non-Lonrho directors of SUITS are to meet tomorrow to discuss their next move. At the meeting will be Sir Hugh and Mr. James Gossman—both of whom supported Lonrho's takeover attempt last year.

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Egypt's Cabinet endorses peace treaty terms

BY ROGER MATTHEWS IN CAIRO

EGYPT'S CABINET yesterday gave its formal and unanimous approval to the terms agreed by President Anwar Sadat on a peace treaty with Israel.

"I think we have achieved real peace thanks to Jimmy," President Sadat told reporters at his home yesterday, adding: "We owe President Carter a lot."

For Egypt the only remaining constitutional requirement is the assured vote of the People's Assembly, which can be expected in the next few days.

Mr. Mustapha Khalil, the Defence Minister, leaves for Washington today with more details of Egypt's military requirements and for talks with his Israeli opposite number, Mr. Ezer Weizman, on the more technical aspects of Israel's withdrawal from the Sinai.

to face possible sanctions from the rest of the Arab world and announced that a U.S. economic team would arrive in Cairo today to discuss additional aid.

The U.S. is understood to have promised Egypt a further \$500m (£245m) a year in addition to the \$1bn it is already receiving. A substantial part of the \$500m is likely to come in the form of commodity aid which in the short term should help to underpin Egypt's political stability by limiting the risk of a recurrence of the food price riots of January, 1977.

Mr. Kamal Hassan Ali, the Defence Minister, leaves for Washington today with more details of Egypt's military requirements and for talks with his Israeli opposite number, Mr. Ezer Weizman, on the more technical aspects of Israel's withdrawal from the Sinai.

Egypt will be expecting to receive from the U.S. a range of equipment including advanced fighter aircraft, improved air defence systems, tanks, armoured personnel carriers and other military vehicles.

Mr. Khalil held an hour-long meeting yesterday with his principal economic ministers to discuss the extended U.S. aid package. He is believed also to have reviewed Egyptian attitudes to the International Monetary Fund, which is sending a team to Cairo next week for negotiations on the blocked \$730m facility agreed last summer.

James Buchanan reports from Jeddah: Vice-President Hosni Mubarak of Egypt made an

Continued on Back Page
Other Middle East news Page 4

Civil servants step up strikes

BY PHILIP BASSETT, LABOUR STAFF

CIVIL SERVANTS yesterday stepped up their selective strike campaign, saying as the Lord Peart, Lord Privy Seal, warned that staff who refused to take over strikers' work would be suspended without pay.

His warning came as the number of civil servants on strike rose to 1,600, mainly computer staff. Payments of regional development grants and some transactions at the Export Credits Guarantee Department were hit yesterday.

Union leaders representing mainly clerical and executive grades said any suspensions would be challenged in the courts, and warned of wide spread sympathy action if any staff were sent home. They made it clear that the action would be increased still further if the Government did not begin

serious negotiation soon. Lord Peart, who is responsible for day-to-day running of the Civil Service, will meet all the union leaders early next week.

The Prime Minister has agreed with Lord Peart's proposal that civil servants should be suspended if they will not strike-break, in spite of doubts in the Attorney-General's department of the move's legal security.

Leaders of the Civil and Public Services Association and the Society of Civil and Public Servants said they had taken legal advice which made it clear that staff could not be kept under contract without being paid. If there were suspensions, the unions would challenge them in court.

A further 160 civil servants in key areas were called out yesterday. A Department of Trade

computer in Cardiff, which handles payments to regional development and other grants totalling £50m a week, was closed down. An Education Department computer which pays £3m a week to higher education bodies was also closed.

Processing of export credit insurance transactions at the Manchester office of the ECGD was halted, and the Department's computer centre at Cardiff will be shut down from Monday.

RAF computer staff at Carlisle and Stafford also went on strike.

The Government yesterday formally presented to Parliament an emergency Bill to ease the near-total shutdown of the Scottish courts by civil servants' strikes. The Bill will be given a second reading next week.

Weather and strikes hit output

By Peter Riddell, Economics Correspondent

BRITAIN'S industrial production fell more sharply in January, because of strikes and bad weather, than during the period of the three-day working week in early 1974.

The Central Statistical Office announced yesterday that the all-industries index of production fell by 6 per cent between December and January to 104.4 (1975=100, seasonally adjusted), while manufacturing output dropped by 8.2 per cent to 94.8.

This compares with a decline of 5.1 per cent in the all-industries index between the end of 1973 and the first quarter of 1974, the period of the three-day week.

The drop in output in January was larger than expected and was the result of the combination of very bad winter weather and the various transport disputes, notably the lorry drivers' and rail strikes.

Metal manufacturing output dropped by 23.1 per cent in January, reflecting in part the

impact of the rail dispute on British Steel, while production in the chemicals sector fell by over 17 per cent, supporting some of the worries expressed by ICI at the time.

In contrast, output in the food and drink sector only slipped slightly, while gas, electricity and water production increased by 4.1 per cent as a result of the bad weather. North Sea output continued to rise.

Officials warn that the provisional estimates for January are less reliable than usual because of the difficulty of allowing for the disputes. Since much of the data used in the index measures deliveries, which have been more seriously disrupted than production, it is possible that output in January may have been understated.

Consequently, officials do not attempt to estimate the underlying level of production, which was flat from late last summer onwards, even after allowing for the Ford strike.

Industrial Production		
1975=100, seasonally adjusted All-Industries Manufacture		
1977	1st	105.6
	2nd	105.5
	3rd	106.2
	4th	105.8
1978	1st	107.0
	2nd	107.7
	3rd	111.4
	4th	109.6
	Oct.	108.5
	Nov.	109.4
	Dec.	110.0
1979	Jan.	104.4

Source: Central Statistical Office

Polish debts will cost half earnings

BY JOHN EVANS

POLAND, THE most deeply indebted country in Eastern Europe, faces total interest and repayment charges on foreign debt this year equal to more than half of its earnings in convertible currencies, according to official Polish figures available for the first time in the West.

The country, which has been in sharp deficit on its trade with the non-Communist world for the past 10 years, has total borrowings in hard currencies of just over \$15bn (£7.4bn).

These statistics are contained in a confidential information memorandum prepared by the Polish state bank Handlowy Warszawa, in connection with a \$500m (£245m) syndicated loan now being raised on the Eurocurrency markets.

Poland's hard currency earnings to debt service ratio this year will reach 5.1 per cent, one of the highest among industrial or developing countries. But in spite of this, its Euroloan is proving a success.

Well over \$600m has already been subscribed for the credit which is managed by such leading banks as Bank of America, Bank of Nova Scotia, Barclays Bank and Lloyds Bank International. Syndication finished on Wednesday, after about 400 banks worldwide were canvassed for their participation.

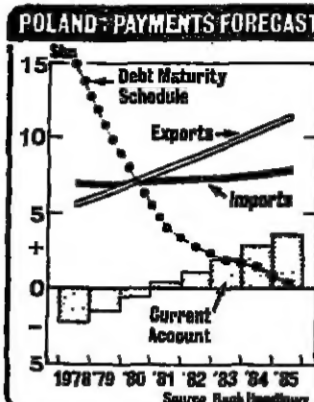
There is now a chance the loan may be increased in size. The outcome depends on the degree to which the managing banks decide to reduce their own original underwriting commitments, which ranged up to \$35m per bank, because of over-subscription.

Deficit

The seven-year loan, which will help repay maturing debt, will bear interest rates 1.1 per cent above interbank rates for the first two years, and 1.1 per cent for the remaining five years. These are high compared with the margins on Euro-market loans extended to most other Comecon states.

Although Poland is aiming for balance of payments equilibrium by 1981, the memorandum admits that, in view of the projected current account deficit until then, gross indebtedness is also "projected to increase by approximately the same amount."

The figures imply that without further Comecon aid or extensive refinancing of debt, Poland will find it extremely difficult to repay \$4.1bn debt due this year. The memorandum does not provide a figure for Poland's reserves which could also be mobilised.



What made the latest syndication possible, however, was Poland's decision to satisfy, for the first time, Western banks' requests for detailed information on its external financial position.

This concession—in an especially sensitive area of East-West commercial relations—has been misinterpreted in some Western financial centres. It has even given rise to incorrect reports that Western banks were now being given the power to monitor and intervene in the Polish economy in return for the \$500m financing.

There is still speculation that Poland may decide to rejoin the International Monetary Fund, in order to obtain access to fund credit facilities. Only two other Comecon countries, Romania and Vietnam are IMF members. Mr. Marian Krzak, First Deputy Minister of Finance, said in Warsaw this week: "We have no application for membership in with the IMF at the moment. This is a question which, as with other items, we keep under regular review."

Bankers point out that, in making available hitherto confidential economic information to the West, Poland has gone some way towards the standards of economic disclosure which are usual for an IMF member-state. Poland was a member of the fund until the early 1950s. The memorandum itself discloses that, at the end of last year almost 75 per cent of Poland's \$15bn of debt was in U.S. dollars, D-marks and Swiss francs.

Some \$7.3bn of this is of medium-term maturity, coming

Continued on Back Page

\$ in New York		
	Mar. 14	Previous
Spot	\$2.0380-0390	\$2.0395-0405
1 month	\$0.44-0.40	\$0.37-0.32
3 months	\$0.75-0.70	\$0.56-0.51
12 months	\$1.95-1.75	\$1.70-1.50

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EUROPEAN NEWS

Dutch shipyard aid 'will have to be written off'

By Charles Batchelor in Amsterdam

MOST OF the £1.5bn (£375m) of government aid which has been pumped into the ailing Dutch shipbuilding industry over the past three years will have to be written off. Despite the large-scale support given to the Dutch yards, the position of most sectors is still critical and substantial further injections of funds will be needed.

These conclusions are contained in a report prepared by a parliamentary commission on shipbuilding and in remarks made by Mr. G. J. van Aardenne, the Economics Minister, in Parliament.

Of the £1.5bn worth of support given to the shipbuilders—in the form of subsidies and loans—£1.1bn can be considered as "lost," the commission said. The remainder can also probably be written off. On top of this the yards themselves have written off a further £1.4bn on loss making orders. Despite this support, the shipbuilding market continues to worsen. There are still no orders and the yards cannot meet continuing losses. The £1.6bn set aside for further support this year and next will not be enough to solve these problems, the commission said. The Economics Minister is due to announce what measures will be taken shortly.

The Dutch yards cannot reduce capacity any further without irretrievably damaging their chances of expanding

again should demand recover, the commission said. There have already been widespread closures among the large yards in Rotterdam and Amsterdam.

In spite of the £1.6bn spent under Holland's maritime plan—a scheme aimed at encouraging Dutch shipowners to place their orders with Dutch yards—there is still a shortage of orders. This plan, which is in addition to the £1.5bn of direct aid, could be replaced by a scrap and build scheme.

The existing scale of aid to the industry should be expanded and modified. Under the current system, if subordinated loans come to equal a set percentage of a company's capital, they may be converted into a shareholding.

The Government is opposed however to the de facto nationalisation of the industry, the Economics Minister said. The direct state holding in the industry has so far been limited to a 45 per cent stake in Rijn-Schelde-Verolme, the largest Dutch yard.

The commission also recommended that the yards themselves should begin their own immediate programme of renewal. The largest yards have been hardest hit by the shipbuilding recession but other sectors have also been badly affected. Only in the dredging equipment sector is there any sign of improvement.

Lisbon and Bonn reach accord on investment

By Jimmy Burns in Lisbon

PORTUGAL and West Germany yesterday initiated a long-delayed agreement guaranteeing reciprocal protection for future investments.

The agreement, which follows the main guidelines of Portugal's 1977 foreign investment code, covers the problems of expropriation, capital transfers and arbitrary settlement of disputes. It is aimed at facilitating economic co-operation between the two countries, and particularly joint ventures.

West German officials here stressed, however, that there could be delays before the agreement is finally signed and ratified by both countries.

The agreement, as it stands, does not guarantee compensation for West German property and companies already expropriated as a result of the 1974 revolution, and therefore bypasses what is perhaps the most pressing factor adversely affecting business confidence here.

Strasbourg row over S. Africa report

By John Hunt in Strasbourg

A CONTROVERSIAL committee report on the code of conduct for companies with subsidiaries operating in South Africa was withdrawn at the European Parliament here yesterday, after a furious behind-the-scenes row.

At a private meeting of the Socialist group, British MPs demanded to know how pro-South Africa and pro-Apartheid sentiments had got into the final draft of the report when the Committee on Development and Co-operation had clearly decided they should be removed.

To make matters worse, the preface to the report said that the offending passages had been adopted unanimously by the committee.

As a result, the research division of the Parliament's permanent secretariat is carrying out an informal investigation into the circumstances in which the report was drawn up.

At the centre of the controversy is Mr. Wolfgang Schroeder, research assistant to the committee, who was responsible for the detailed writing of the report.

Ultimate responsibility for its contents rests with Mr. Pierre Lagorce, the French Socialist member of the European Parliament, who is rapporteur to the committee.

Socialist MPs are also dismayed that some of the proposals to which they objected appear to have been leaked to the South African Press before the report was published.

Last night, Mr. Schroeder, a German, said that the critical passages had remained in the report "purely as a result of a misunderstanding." Possibly, he said, this had arisen because of language difficulties.

He had no connection with South African interests and no outside pressure had been brought to bear on him to insert passages sympathetic to South Africa.

When the report came before Parliament last night, it was referred back to the committee at the request of Mr. Lagorce, who said there had been "some misunderstanding" over its contents.

The Socialist members of the committee were particularly angered at the paragraph in the report which criticised Mr. Walter Mondale, U.S. vice-president, for demanding "one man one vote" in South Africa.

Europe MPs back farm price rise

By Margaret Van Hattem

AS THE European Parliament voted here for a common price freeze for farm products in surplus—dairy, produce and sugar—and a 3 per cent rise on all other products, French MPs disclosed yesterday that M. Pierre Mehlis, France's Minister of Agriculture, intends to enlist support for higher farm prices from EEC colleagues when he tours Community capitals next week.

The European Parliament's vote yesterday was largely on national rather than party lines. British Conservatives sided with British Labour and Liberal MPs against a price rise and French

Communists, Gaullists, Christian Democrats and Socialists voted for the 3 per cent rise.

The EEC Commission, supported by Britain, has proposed a freeze on farm prices for 1979-80. M. Mehlis, as current president of the Council of Farm Ministers is visiting EEC capitals to seek a consensus and is expected to press for a 2 to 2.5 per cent across-the-board increase.

The French claim that all EEC members except Britain have agreed in principle on a small price rise. They say that EEC Heads of Government who met in Paris earlier this week approved the deal.

Although the Heads of Government refused to back a price freeze despite strong pressure from Britain and the Commission, it was suggested, at the time, that several including Herr Helmut Schmidt the West German Chancellor, had expressed sympathy for Britain's anxiety about the strain put on the EEC budget by farm surpluses.

Herr Schmidt later criticised as "incomplete" the case put by Mr. James Callaghan, Britain's Prime Minister. He said it contained all the old British criticisms of Common Agricultural Policy but no constructive suggestions.

Moreover in voting for "appropriate" price policy rather than the "rigorous" one urged by the Commission, the Heads of Government appear to have left their Farm Ministers plenty of room for a smallish price rise.

Detailed negotiations of the farm price proposals is due to begin in Brussels on March 28. So far no country has spoken in council against a price freeze and Italy has expressed mild approval. But France, Ireland and Belgium are reported to be determined on a small price rise. Denmark and the Netherlands are believed to be ready to accept a freeze.

Karamanlis begins tour of Balkans

By David Tonge

MR. CONSTANTINE Karamanlis, the Greek Prime Minister, today sets off on a trip to Belgrade and Bucharest with his main concern being to ensure that the Balkans do not become the next scene of Sino-Soviet antagonism.

In a recent speech he described Greece's relations with its northern neighbours and Romania as "ideal." Though largely true of Romania, this was otherwise an overstatement, not least because the Greeks have long regretted the way that the Bulgarians failed to respond to their attempts to develop multilateral co-operation in the Balkans.

Further, Mr. Karamanlis's statement that he feared competition between Moscow and Peking "could create problems" in the Balkans reflected the fears that have existed in Greece for the past seven months.

Last August, Chairman Hua Guofeng raised the spectre of Macedonian nationalism during his visit to Yugoslavia. His praise of the Macedonians' "long struggle for social and national progress" put him firmly on the side of the Yugoslavs in their battle with the Bulgarians on this contentious issue.

In the Balkan tinderbox the problems of the Chams and the Kossovans and disputes over Bessarabia and Northern Epirus have joined Kings Zog and Carol and the Little Entente on the shelves of history. But the Macedonian question retains its potential for conflict, particularly in a post-Tito era.

The Yugoslavs have given this determined breed a republic of their own within the Yugoslav federation. They also insist that there are "oppressed" Slavo-Macedonian minorities in Bulgaria and Greece.

Such claims, like Chairman Hua's talk of the Macedonian nation, anger Greece as much as they do Bulgaria. But otherwise, relations between Yugoslavia and Greece flourish.

In 1934, the two were among the members of the Balkan Pact, and in 1953 they and Turkey signed a treaty of friendship and co-operation.

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Italian unions consider strike campaign

By Rupert Cornwell in Rome

AMID SIGNS that Italy's economic recovery may start to peter out later this year, the unions are considering a widespread strike campaign to back up their wage contract demands.

Confindustria, the employers' federation, rejected this week the two key components in the union platforms for 1979-81—a cut in the working week to 36-38 hours, and a greater say in management and corporate planning.

The main unions will decide soon on the strikes, but the considerations are finely balanced. While rank and file militants are strongly pressing for action, some elements argue caution in view of the near certainty of a general election in May or June.

A campaign taking place against the background of wide strike action might damage the popularity of the Communists among sections of the middle class whose support brought the party near to victory in 1976.

A sustained strike wave would do nothing to help a steady revival of the economy, already threatened by oil price increases and signs of an acceleration of inflation back to an annual rate of more than 13 per cent.

A Confindustria survey suggests that the rise in output might fall back in the first quarter of 1979 to a yearly rate of 4.5 per cent from 6.5 per cent in the last three months of 1978, and drop to 2.9 per cent in the second quarter this year.

These projections are roughly in line with those of other banking and forecasting institutes.

Chirac misjudges jobs debate

By Robert Mauthner in Paris

THE EMERGENCY unemployment debate in the French National Assembly, in its second day yesterday, has turned out to be somewhat of a damp squib, to the disappointment of the Gaullists on whose initiative it is being held.

M. Jacques Chirac, the Gaullist leader, who clearly felt that the violent protests of the Lorraine and northern French steelworkers against the Government's restructuring plan offered his party a good opportunity to drum up public support, has found that the whole exercise has boomeranged.

A prisoner of his own ambiguous policy of selective opposition to the Government on key issues, M. Chirac was well and truly outmanoeuvred in the procedural wrangles over the agenda.

While the Gaullists banded together with the Socialists and

Communists in obtaining the required majority of Deputies' signatures for Parliament to be recalled, it was the UDF Party, which provides President Giscard d'Estaing with his main support, which ensured that the agenda proposed by the left-wing opposition obtained precedence.

Instead of kicking off with the Gaullist proposals for the creation of two special commissions on unemployment and information policy, the session began with a discussion of the two separate censure motions tabled by the Socialists and Communists.

Since the Gaullists have already made it clear that they will not support these motions, the Government's life is not in danger for the moment and the debate has been deprived of any real tension.

M. Georges Marchais and

M. Francois Mitterrand, the Communist and Socialist leaders, offered no convincing alternative which could ensure the survival of the steel industry.

If anything, it was M. Raymond Barre, the Prime Minister, who has come under sharp criticism for his stubborn refusal to abandon the steel plan, who came out best from the exchanges.

Terry Dodsworth adds: M. Rene Monory, the French Economics Minister, has roundly condemned the strike by clerical staff on the Bourse which has virtually crippled market quotations for more than two weeks.

It was "scandalous" that people who had received large bonuses because of the high level of trading on the market last year, should be striking at a time of high unemployment, he said yesterday.

Long steel dispute predicted

By David White in Paris

THE THREAT of a prolonged steel strike was evoked by a French union leader yesterday, as protests against the Government's job-trimming plans continued to multiply, despite failure of the main union confederations to agree on tactics.

Union disappointment at the initial results of talks with the steel companies was reflected by M. Jacques Chereque, head of the metal-working branch of the CFTD.

If future meetings with the companies and M. Andre

Giraud, Industry Minister, did not produce any change, "we envisage a strike of long duration," he declared.

The CFTD has refused to join the Communist-led CGT in a march to Paris on Saturday week, having long accused that union of sacrificing labour issues to political point-scoring.

Instead, the CFTD is calling for a series of stoppages and protests, starting on Monday, in the Ardennes region of Northern France, on Tuesday at Longwy in Lorraine, on Wednesday in

the Valenciennes area, near Lille, and the following Tuesday in all the plants of Usinor, the main steel group.

Another demonstration occurred at Denain yesterday, where Usinor is sticking by closure plans affecting almost 8,000 workers.

Saclor, the main Lorraine steel group, has promised to resolve the cases of all the 8,500 workers it plans to lay off, and has scheduled detailed talks with the unions over the next three weeks.

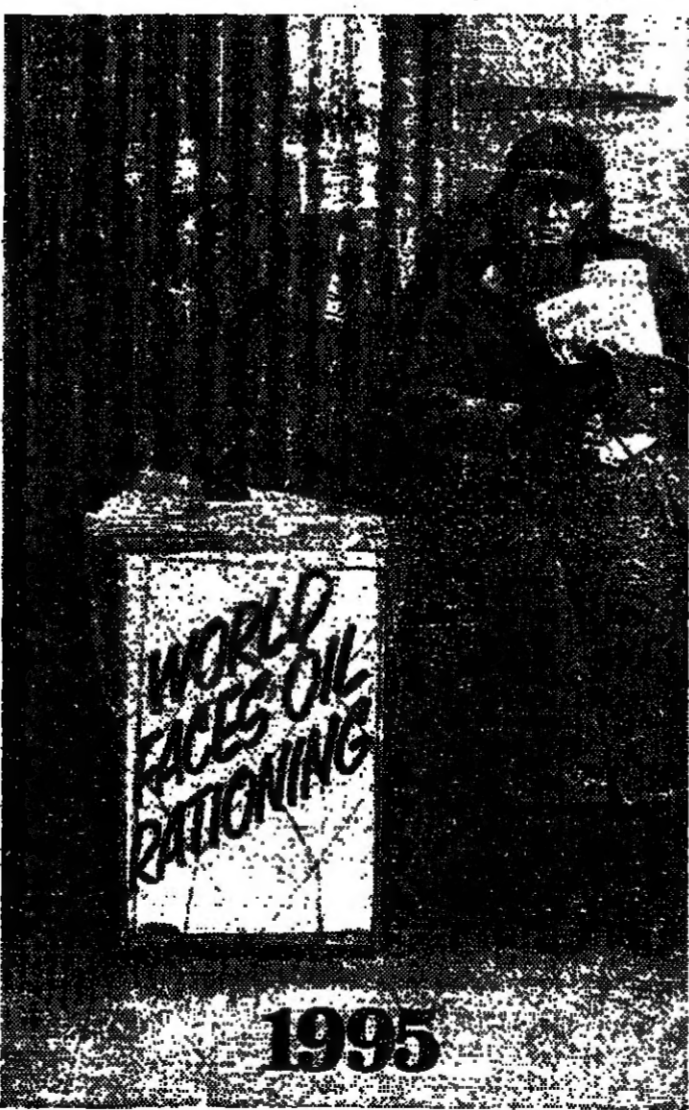
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1978



1987



1995



2005

The fact that electric trains can run on any source of energy (coal, nuclear, gas or oil) may seem irrelevant at the present time.

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Quite simply, because electrification takes time as well as money.

And by the time we have electrified the main arteries of our national rail system, oil

everywhere will be in short supply.

The 1977 report of the Workshop on Alternative Energy Strategies, sponsored by the Massachusetts Institute of Technology, concluded that "the supply of oil will fail to meet increasing demand before the year 2000, most probably between 1985 and 1995."

A Government paper, published last year by the Advisory Council on Energy Conser-

vation, came to much the same conclusion.

So Britain has got to develop a national transport system that doesn't depend on oil.

Railway electrification now, means we can keep going in the future.



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Bonn, U.S. seek accord over Argentina N-deal

BY JONATHAN CARR IN BONN

AN effort to avoid gravitating differences between Germany and the U.S. over nuclear export policy, east German contact over a proposed man deal with Argentina.

The object is to see how Argentina's legitimate desire for nuclear installations might be fulfilled, without taking on which in Washington's view would increase the danger of nuclear weapons proliferation.

At issue is Argentina's desire to acquire not only a natural uranium reactor—which would be the country's third of this kind—but also a complete heavy water plant.

West Germany would be in a position to deliver all this—lead the domestic nuclear

industry would be happy to do so, since business is poor at home and question marks hang over potential business abroad, not least in Iran.

However, although senior German Ministers have already discussed the issue, no final decision has yet been taken—beyond seeking more information both from Washington and Buenos Aires.

The Germans are anxious to avoid if possible a repetition of the clash which came with the U.S. over Bonn's 1975 nuclear accord with Brazil. Under that agreement the Germans are to supply not only nuclear reactors but also enrichment and reprocessing facilities, which the Americans note can be used to make bombs.

These facilities are not desired by Argentina—but the Americans point out that heavy water installations are also classed as "sensitive technology" under the American Non-Proliferation Act of 1978.

The U.S. fear is that with its own supplies of natural uranium and a heavy water plant Argentina—which like Brazil has not signed the nuclear non-proliferation treaty—would be able to produce the plutonium needed for nuclear weapons.

It is also pointed out that International Nuclear Fuel Cycle Evaluation (INFCE) talks are under way following an initiative of the western summit conference of May 1977 to try to bring some consensus on the proliferation issue. These will not end before next year—and meanwhile there is reluctance to take action which would clearly cut across them.

The West Germans are now seeking to discover whether the Argentines might be ready—despite previous indications to the contrary—to take the natural uranium reactor alone, dropping their demands for heavy water plant.

Alternatively, it is hoped that the plant might be built in cooperation with the U.S. so that Washington would have a degree of control over production. It remains unclear exactly how this might be achieved—and whether the Argentines would agree to the arrangement.

Finally, it is understood that Canada has also been approached by Argentina to provide the facilities. The Germans are thus watching the Canadian attitude with interest. If Canada says firmly no, it is felt it would be harder for the Germans to go ahead.

Pope flails Western, Communist systems

By Rupert Cornwell in Rome

POPE JOHN PAUL II yesterday strongly attacked the failings of both Western and Communist models of society, and warned in exceptionally blunt terms of the dangers of the ever increasing gap between rich and poor.

His feelings, tinged with an evident and profound anxiety, are set out in the first encyclical of his five-month-old papacy, entitled "Redemptor Hominis" (the Saviour of Man). The document was first drawn up last November in his native Polish. It runs to 100 pages and bears the date of March 4, 1979.

As such, it broadly sets out the Pope's views on the state of the world and the role of the Roman Catholic Church within it.

Father Roberto Tucci, the Director of Vatican Radio, who yesterday presented the encyclical, underlined its message of John Paul II's determination to preserve the Church's independence, and to concentrate on protecting man and his dignity, irrespective of the political system under which he lives.

The Pope—who is to visit Poland in June—speaks out against communism, when he writes of the "unacceptable" phenomenon of "atheism planned and built into a system," as its only arbiter.

But to ram home the assertion that the Church is "in no way bound to any political system and is completely separate from the political community," the encyclical proceeds to criticise most severely the shortcomings of capitalist affluence.

John Paul II attacks the "moral disorder" of such societies, where individual liberty is often confused with excessive consumption and acquisitiveness without any basis in ethics. Nor had wealth alone solved many of their deep-rooted problems.

While many parts of the developed world consumed too much, huge areas elsewhere were becoming even poorer and hungrier. This trend, says the Pope, "calls into question the financial, monetary, productive and commercial structures which govern the world economy."

The failing was all the more striking, the encyclical continues, "if we consider that new countries and nations are offered instead of bread and moral aid, modern arms and means of destruction."

SPANISH DEVOLUTION POLITICS AFTER THE ELECTIONS

Suarez seeks allies in Catalonia

BY DAVID GARDNER IN BARCELONA

ONE DISCREET reaction to this month's general election, which could have far-reaching effects on Catalan and Spanish politics, was last week's surprise visit to Madrid by Sr. Josep Tarradellas, president of the Generalitat, Catalonia's historical governing body re-established 18 months ago.

The main reason for his unscheduled talks with Sr. Adolfo Suarez, the Prime Minister, appears to have been a personal attempt to block a possible coalition between Sr. Suarez's ruling Union de Centro Democrático (UCD) and the Convergència Democràtica de Catalunya (CDC) the Government's rivals for the centrist vote in Catalonia.

Once it became clear that the election would not give the UCD an overall majority in the 350-seat lower house, interest shifted rapidly on to the likely junior partners in some form of coalition.

The two most obvious candidates are the neo-Fascist Coalition Democràtica (CD), and the coalition based on Sr. Jordi Pujol's Nationalist CDC. Pending the definitive results of the elections, both groupings have between nine and 10 deputies with which to supplement the Government's probable 169 seats.

The CDC is a likely coalition partner as it has a record of supporting the Government on major social and economic questions, limiting its opposition to regional issues and the thorny question of devolution.

However, it will exact a price for its support: speedy passage through Parliament of the statute of autonomy drafted by an all-party committee of Catalan Parliamentarians last autumn.

This bill was submitted hours before the dissolution of the last parliament in December. Once the statute is approved, elections will be held to the Catalan parliament and to the presidency of the Generalitat, which up to now has stood practically powerless as the showcase of the government's devolution policy.

Sr. Tarradellas wants to postpone the implementation of autonomy as long as possible. As he would stand little chance of being re-elected, even with the full backing of the Government.

Sr. Tarradellas's strategy up to now has been to delay transfer of those powers which have already been devolved in order to keep them out of the hands



Prime Minister Adolfo Suarez (left), who had an unexpected meeting with Sr. Josep Tarradellas (right), president of Catalonia's parliament.

of the Generalitat's councillors or "Ministers," in particular those who belong to the Socialist and Communist parties. The provincial governments or Diputaciones for example, should last year have come under the Generalitat, instead of which they remain in the hands of officials appointed under Franco. A Communist aide to the Generalitat's health councillor was summarily dismissed last year hours after an article appeared in which he sought to prove by legal argument that the Diputaciones came under Catalan jurisdiction.

If the CDC moved into parliamentary alliance with the Government, Sr. Pujol could plausibly claim the credit for winning autonomy for the region, and the prospects of Sr. Tarradellas building up a base from which to take on the Left at a time of his own choosing would be severely reduced.

Whatever decision Sr. Suarez arrives at is likely to have a major impact on both Catalonia and Spain as a whole over the next few years. The Government's recall of Sr. Tarradellas to head the re-established Generalitat shortly after the June 1977 elections was primarily a ploy to counter the Left, which had won an impressive victory in Catalonia. But the process of Catalan autonomy is nevertheless regarded as a model for devolution elsewhere in Spain.

If this process is left to go sour then the chances of meeting the aspirations of the other regions and national minorities are minimal. The one major trend to emerge from the last elections was the growth of radical nationalism on Spain's periphery.

Not only did radical nationalists linked to both wings of the ETA guerrilla movement win five seats in the Basque country, but a grouping calling for self-determination came third in the Canary Islands. Also, the more moderate but firmly regionalist Partido Socialista de Andalucía (PSA) won five and possibly six

seats in Andalucía, and independence-minded nationalists made appreciable advances in both Catalonia and Galicia.

Some observers in Barcelona insist that the embryo for a Catalan ETA-type organisation already exists. The rise of unexplained political violence in the region has become notorious. Barcelona police this week claimed that an ultra-left splinter group—which has already been accused of a bomb attack two weeks ago in Spain's north African enclave of Ceuta—had planned an attempt on the Prime Minister's life during the Press conference Sr. Suarez gave on his February 24 campaign visit to Barcelona.

The Government's reaction to this is not yet clear. At the beginning of this week, the UCD leaked to the Press that the draft statutes of autonomy for both Catalonia and the Basque country, which were on the agenda of the last Parliament, may for technical reasons be sent back for re-drafting.

Even more provocatively, there is a strong possibility that Sr. Rodolfo Martín Villa, the hard-line Interior Minister who is particularly hated in the Basque country and Catalonia, may be made Minister for the Regions in the next cabinet. Both these developments, if true, would strengthen the hand of the radicals along Spain's nationalist spectrum, irredeemably in the case of the Basque country.

Mindful of this, Sr. Pujol's CDC has been holding talks with its counterpart in the Basque country, the Christian Democratic Partido Nacionalista Vasco (PNV), and with the PSA in Andalucía, with a view to forming a moderate nationalist bloc in Congress.

With some 23 deputies in the lower house, they would be in a position to force the issue of autonomy, in return for critical support to the Government on the economy and wider political issues.

Employers' investment threat 'blackmail'

BY OUR BARCELONA CORRESPONDENT

THE CATALAN employers' federation, SEFES, which represents employers from the Baix Llobregat, the region's most important industrial area, yesterday warned that it would channel investment toward those towns where the Left-wing parties do worst in the municipal elections on April 8.

The move has been widely interpreted as a clear attempt to influence the outcome of these elections, the first to take place in Spain's local government authorities for 48 years.

The SEFES communiqué calls only for a vote for "non-Marxist parties" before going on to say that "mere jobs will be created in the towns where Marxist influence is weakest."

Since the Baix Llobregat area voted overwhelmingly for the Catalan Socialist and Communist parties in the general elections of this month and June 1977, left-wing leaders here regard the statement as little short of blackmail.

Simonet in talks with Portugal

BY JIMMY BURNS IN LISBON

HENRI SIMONET, the Belgian Foreign Minister, visited here yesterday on a four-day visit for talks on Portugal's accession to the European Community, and on other questions centred on problems of Belgium's regionalised communities during the tug-of-war over the EEC.

Mr. Simonet is expected to refer to the need for a speedy reorganisation of the Portuguese commission for European integration, before negotiations on accession resume next month.

The disparity of Portugal's chief negotiating body of EEC matters following the resignation of its president, Dr. Vítor Constâncio, is troubling the

Belgian Government, which is particularly keen on seeing Portugal become an EEC member as soon as possible.

Mr. Simonet, who will be holding talks with Sr. João Freitas Cruz, the Portuguese Foreign Minister, will discuss the question of closer collaboration between Europe and the African states.

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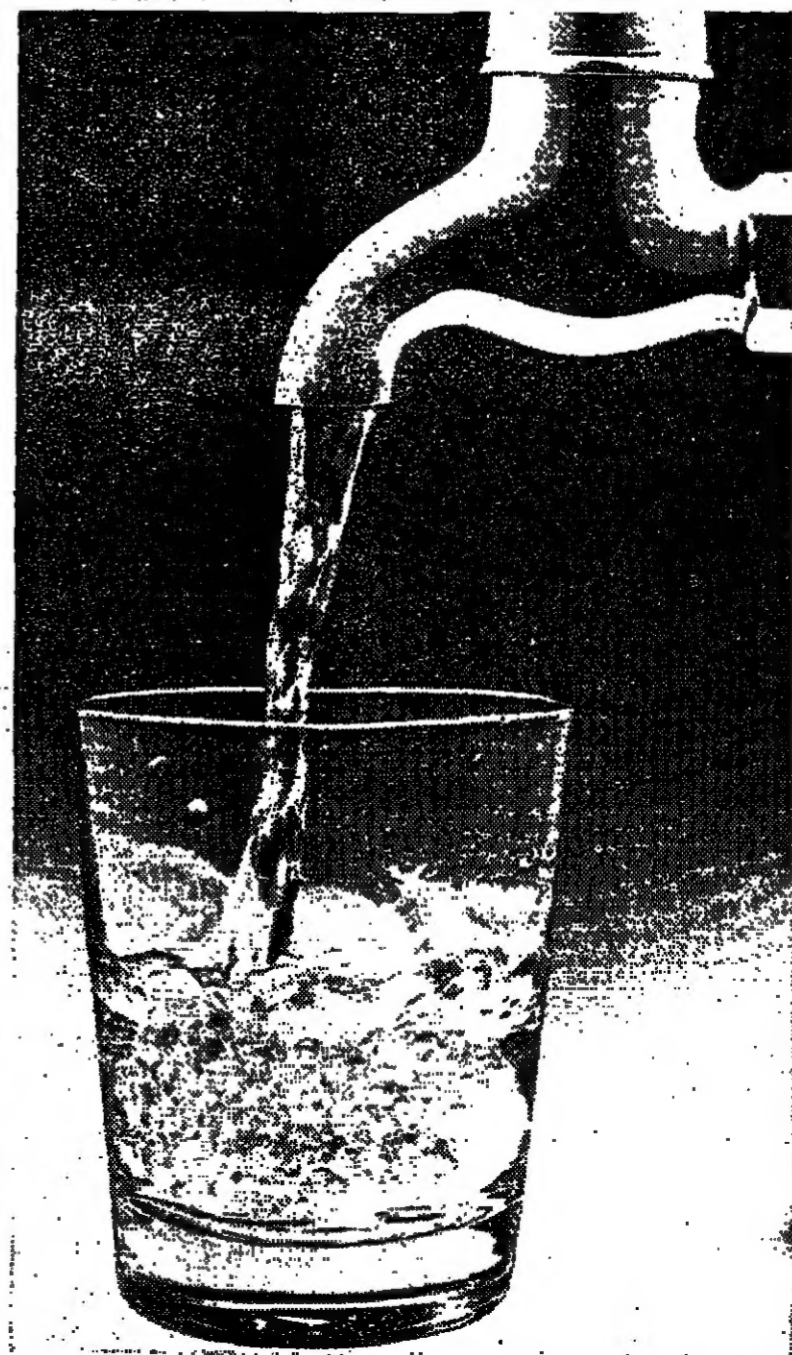
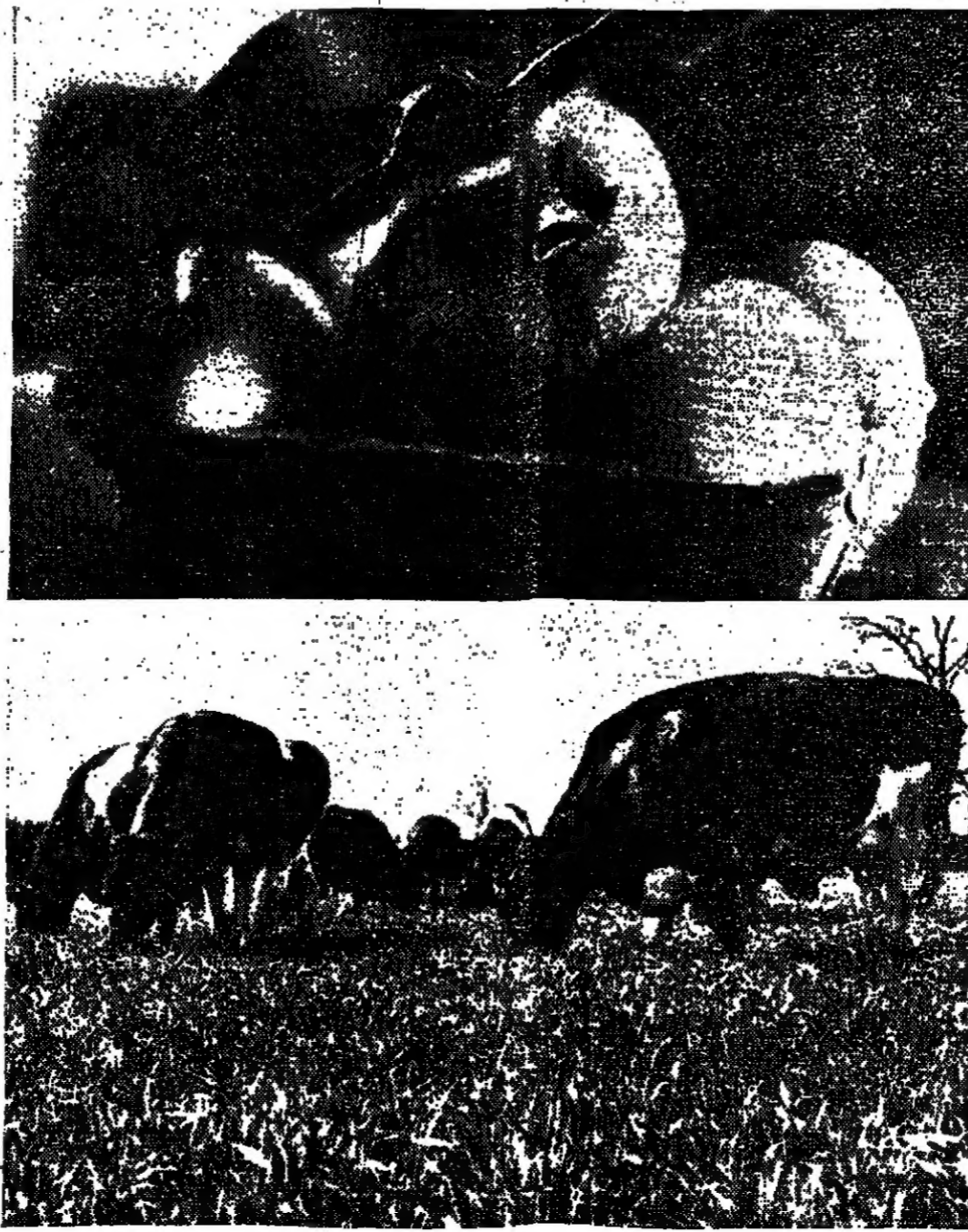
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OVERSEAS NEWS

Two Palestinians killed in clash with Israeli troops

BY DAVID LENNON IN TEL AVIV

TWO PALESTINIANS were killed and another injured when Israeli troops fired on demonstrators in the West Bank town of Ramallah yesterday. The Palestinians were protesting against the proposed Israel-Egypt peace treaty.

It was the worst incident during a week of protests on the occupied West Bank, and followed complaints by town council members that they had been detained for eight hours during the night in the office of the Israeli military governor.

The shooting occurred when Israeli soldiers and civilians were stoned by demonstrators blocking the main Jerusalem-Hebron road which passes through Ramallah. An army spokesman said a curfew was imposed on the town.

The two who died, a girl student aged 17, and a man, 21, were the first to be killed in the present spate of riots, though four students were wounded during a clash with soldiers earlier in the week.

In other West Bank towns and in East Jerusalem, Israeli forces used tear-gas and fired in the air to break up demonstrations.

The protests appeared to have spread to nearly every town on the West Bank, with roads blocked by stones and burning tyres. Many schools have been closed.

The Israeli military govern-

ment was also having trouble with militant Jewish settlers. They refused to hand over their weapons or name members of their group who went on a vigilante rampage through the town of Ramallah earlier in the week, shooting at and beating up Arab residents.

Hopes of the West Bank Palestinians that they could win court protection against seizure of their lands for Jewish settlements were dashed by the High Court in Jerusalem.

Palestinian farmers from Beithel and Toubas argued that their land had been taken for civilian settlements. This, they said, was an illegal act under the international convention regarding occupied territories.

But in a precedent-setting decision the bench ruled that the Jewish settlements served a military purpose, and therefore it was legitimate to expropriate privately-owned land.

The decision was welcomed by Mr. Ariel Sharon, Minister in charge of settlements. He told Israelis at the new settlement of Beit El that they could now start expanding their village.

Mr. Moshe Dayan, Foreign Minister, told the Diplomatic Corps yesterday that the Government could not say at this stage what precise form autonomy on the West Bank and Gaza Strip would take.

The form of self-rule for the Palestinians would only finally

emerge when discussions on the subject with Egypt were concluded one year after the bilateral treaty is signed.

Egypt had agreed that a protocol be attached to the peace treaty stating that Israel has the same right to buy oil from Egypt as any other customer.

Mr. Dayan promised that the U.S. had promised to supply Israel's oil needs for 15 years, if required.

The U.S. had also undertaken to guarantee the Egypt-Israel peace treaty, but this did not mean a defence or military pact.

However, Israel did agree to evacuate El Arish on the Mediterranean coast of Sinai before the end of the nine months allotted for Israeli withdrawal to an interim line.

In return, Egypt had agreed to exchange ambassadors within ten months.

The exact timing of the return of El Arish to Egypt, believed likely within two to four months after the treaty is signed, will be worked out in Washington during the weekend meeting between Mr. Ezer Weizman, Defence Minister, and his Egyptian counterpart, Gen. Kamel Hassan Ali, Mr. Dayan disclosed.

Mr. Menahem Begin, Israeli Prime Minister, whose health had caused concern after recurrence of a heart ailment last year, has been confined to bed. His doctors say he is suffering from influenza.

Ties off as Japan tries to save energy

By Richard Hanson in Tokyo

OFFICE temperatures will rise and businessmen are being asked to remove ties as part of the Government's voluntary energy-saving programme. The measures are aimed at meeting a 5 per cent reduction agreed on in Paris by members of the International Energy Agency (IEA) this month.

Male office workers are being encouraged not to wear jackets and ties. Most businessmen in Tokyo keep ties on and top buttons done up during even the hottest days.

Under the package, which will be given Cabinet approval today, Japan's oil consumption of 64bn gallons during the year beginning April 1 will be reduced by 5.2 per cent (3bn gallons).

This will be achieved by lowering heating temperatures during the winter and reducing summer use of air conditioners, by less use of cars, and by switching from oil to other fuels in industry. An earlier programme announced in January had envisaged a cut of 2.8 per cent next year.

The measures are designed to voluntarily reduce private energy consumption, with the smallest reductions expected by industry.

The measures include: Lowering the winter heating temperatures in offices to a maximum of 19 degrees C. Raising the minimum temperatures for air conditioned offices in the summer to 28 degrees C. Voluntary reductions in the use of private cars.

Changing from oil to nuclear power, coal and other fuels by the generating companies and asking industry generally to change to other fuels.

The Government will also encourage a shortening of television broadcast times, earlier closing of entertainment establishments and holiday closures of petrol stations. There has been discussion of introducing daylight saving time, but no decision has been made.

Bazargan tries to reassert his authority

BY ANTHONY McDERMOTT IN TEHRAN

DR. MEHDI BAZARGAN, the Prime Minister appointed by Ayatollah Khomeini to head Iran's provisional revolutionary government, has made a desperate attempt to reassert his authority.

In a long TV address, Dr. Bazargan accused his critics—by implication including Khomeini himself—of undermining his ability to rule the country.

He also described the series of summary trials which have resulted in the execution of more than 80 people as "a disgrace".

Dr. Bazargan described Khomeini as "sensitive, kind, and good-hearted", but went on: "People tell him something and the Government is ordered to stop the sale of frozen meat or to help the down-trodden with their

water, electricity, and bus trouble."

He dismissed the Ayatollah's prescription as impracticable. "If you want us to do anything, it is better that you consult us first, then issue the orders."

Dr. Bazargan also criticised businesses that had over-estimated demand and in consequence had incurred high

losses. He cited the oil sector which has lost \$7.5bn, customs officials (\$1.4bn), and the tobacco monopoly (\$900m).

The Prime Minister took issue with workers who had caused substantial losses to the country. Factory workers were asking for higher salaries knowing quite well that most public-sector establishments were facing grave financial problems.

Related to this is growing tension between Left and Right. The great risk is that as Khomeini moves towards establishing the Islamic republic, the forces on the Left, notably the Mujahedin and the Fedayin, who have hitherto backed away from confrontation, may feel that a final opportunity to have a say in government will slip away.

Their resort inevitably will be to guns in the streets. They may not win; for Khomeini's Revolutionary Guards and other supporters have considerable firepower. But it means that Iran would be faced not just by civil war but by the beginnings of disintegration.

Perhaps the least difficult areas to forecast are in foreign affairs and the economy by withdrawing from CENTO, by casting aside the grandiose regional military role assumed by the Shah, and by coming out in support of the Arab and Palestinian cause. Iran has shown that it will be far more part of the Third World.

By cutting back on oil production and reducing the scale and speed of development to more easily absorbable levels, Iran will have slower growth but a less socially divisive way of life. However, these two sectors, particularly the economy, depend ultimately on how the political scene develops.

The odds are on Khomeini emerging as the dominant political force. But there is still much more sorting out to be done, possibly a bloody sorting out, before the issue is decided.

Struggle for supremacy in Iran

Front, headed by Mr. Hedayatollah Matin-Dafar, a lawyer and grandson of Dr. Mohammed Mossaddegh, the nationalist Prime Minister of the early 1950s.

This movement, with its base among intellectuals and in the middle-class, reflects a more secular approach to Iran's future constitution and has gathered considerable strength.

After years of sterile political experiment under the Shah, it is hardly surprising that the present should be a period of confusion and contradiction.

The circumstances have been made the more chaotic because

A clash is developing in Iran between those who believe it has become a modern state and those who think the economy can be run on strictly Islamic lines. ANTHONY McDERMOTT reports from Tehran.

of the way the country has been run through a double Government. From Qom, Khomeini has been issuing statements which were often impracticable, offensive to part of the population, or damaging to the Government.

Dr. Mehdi Bazargan's Cabinet, composed mainly of fellow members of the Liberation Movement of Iran, the party closest to Khomeini, has proved almost powerless, as a shattered bureaucracy attempts to formulate coherent policies in key areas of the economy.

Dr. Bazargan's position, without the support of an army, police or security force, has been undermined by decisions taken in Qom, or by the arbitrary actions of the thousands of revolutionary commit-

tees which have sprung up everywhere. It has been announced that the revolutionary committees will be dissolved gradually and their areas of control will be brought directly under the Government.

This Government's weakness has been further exacerbated by some diminution of Khomeini's authority. In some ways his role is similar to that of the Shah in the past: not to involve himself in the daily details of running a government, but to keep his visionary eye on the distant horizon.

Inevitably, however, he has been drawn into detail, and even on broader issues has frequently issued statements from which he has had to back-track. More moderate clarifications have come from Ayatollah Taleghani, a widely respected religious leader based in Tehran, who is able to transcend ideological divisions.

Within the splits can be discerned two major trends. It has been argued that what is being witnessed in Iran is a counter-revolution, which is returning Iran to its more normal political and national characteristics.

But the Pahlavi era has not been without its effects, notably through Westernisation and economic modernisation. Thus there is developing a clash

between the Islamicists and the modernists.

Related to this is growing tension between Left and Right. The great risk is that as Khomeini moves towards establishing the Islamic republic, the forces on the Left, notably the Mujahedin and the Fedayin, who have hitherto backed away from confrontation, may feel that a final opportunity to have a say in government will slip away.

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Observers here view his comments, together with descriptions of Hanoi's move to a war footing, as further steps by the Vietnamese leadership to prepare their people for a protracted confrontation with the Chinese.

The Chinese army is continuing to pull back units in its overall withdrawal but is expected to occupy narrow strips of commanding terrain along the border which will remain sharp points of dispute between the two countries.

AP adds Vietnam yesterday accused China of moving border markers deep inside Vietnamese territory, in order to alter the historic frontier line.

The party newspaper Nhan Dan repeated earlier calls on China to come to the negotiating table once all Chinese troops had withdrawn, and urged Peking to prove its sincerity "right now—by deeds, not by words."

Analysts in Bangkok confirm that in some areas, Vietnamese troops who are trailing the Chinese have staged harassing attacks. But one diplomat said these were apparently not serious enough to warrant major Chinese counter-thrusts.

Vietnam leaders prepare for long war with China

BY RICHARD NATIONS IN BANGKOK

HANOI has returned to a war-time footing, organising air defence and military training, evacuating young and old, and mobilising the rest of the population to dig trenches, Radio Hanoi said yesterday.

Everywhere, the mood was calm and confident. "In Hanoi Polytechnic, each class is a company, every department a battalion, and the whole school a regiment ready to go wherever the General Staff orders it."

Every family in Hanoi had reorganised its life in keeping with war conditions. Factories had thrown up defence against aircraft and artillery.

The Vietnam News Agency yesterday released an interview with Gen. Van Tien Dung, Vietnamese Chief of General Staff, in which he called China's attack on Vietnam "part of an aggressive war prepared long ago in accordance with their fundamental plan of weakening Vietnam and eventually annexing it."

"The Chinese plot to whittle down Vietnam's military forces and weaken its national defence potential, disrupt the economy and the peaceful socialist construction of the Vietnamese people," Gen. Dung claimed.

Observers here view his comments, together with descriptions of Hanoi's move to a war footing, as further steps by the Vietnamese leadership to prepare their people for a protracted confrontation with the Chinese.

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THE CEASEFIRE between North and South Yemen has still not taken effect although troops of the Yemen Arab Republic (North Yemen) have steadfastly obeyed orders not to return fire.

The occasional round of heavy guns of the people's democratic Republic of the Yemen (South Yemen) could just be heard from Taiz, 15 miles from the nearest border over a range of high mountains.

Journalists visiting the valley leading to occupied Aden, witnessed artillery and mortar fire. South Yemen tanks were making a minor advance as the Southern forces used shells to try to prevent Northern forces from repairing the tracks of two disabled light Soviet tanks.

This contradicted the news brought from Aden by Mr. Abdel Halim Khaddam, the Syrian Foreign Minister, who had been assured by South Yemeni representatives that its troops were withdrawing. It followed the meeting of seven Arab Foreign Ministers or representatives in Sanaa and Aden, who hammered out undertakings which included creation of a demilitarised zone on the border; resumption of air links between Sanaa and Aden; talks in Kuwait between North and South Yemeni presidents, and the opening of the borders in the near future.

Withdrawal of South Yemeni forces is now due to take place today with complete disengagement along a demilitarised zone six miles deep on each side of the border. Aden has also agreed to pull back its heavy

artillery, which is not unreasonably believed to be manned by foreign allies of PDY, to 11 miles from the border, although the range of its big guns is believed to be 15 miles.

Circumstances for a successful withdrawal and implementation of the accords do not look good. In the field there are so signs of a lull, although shelling remains half-hearted.

since the mountainous terrain provides total protection for YAR forces. The total of 70 ceasefire observers from the Arab League—95 for each side of the border—is quite inadequate. Hundreds of military observers would be needed to patrol an effective ceasefire from the Straits of Bab el Mandab to Harib, the furthest point of Adeni encroachment.

Attention is now turning to

Warning to Pakistan on aid for rebels

By Chris Sherwell in Islamabad

A LEFT-WING leader of Pakistan's strategic position of Baluchistan has spoken of dangers to the region's stability if the military Government continues to tolerate the presence in Pakistan of Afghan Muslim rebel groups.

Mr. Ghaus Bakhsh Bizenji, a former Governor of Baluchistan, said relations between Afghanistan and Pakistan were delicately balanced. The maintenance of good ties was vital, especially as people in both countries had common ethnic, historical and cultural ties.

He said he had asked the authorities not to encourage the Afghan rebels, whom he referred to as "reactionary outcasts and runaways." He said they would create confusion and unrest.

£2m help for Amin

The Islamic Development Bank, which has just ended its third annual meeting in Kampala, has voted £2m to assist the Uganda Government, John Worrall reports from Nairobi.

Meanwhile there is no confirmation of exile reports of a major battle between Amin forces and dissident invaders.

Confidants of President Ali Abdullah Saleh said that Yemeni pilots were already training in Saudi Arabia and in the U.S. Moreover, about half a dozen pilots had already received training in Saudi Arabia last year, according to a YAR military source.

The arrival of the aircraft has been given more attention than the rest of the \$370m foreign military sales package which is paid for by Saudi Arabia. Sanaa will also be receiving M60 tanks and Tow Anti-tank missiles.

Washington's announcement of the military package in so public a way, and the fact that the U.S. has evidently decided that North Yemen is the place where a strategic stand will be taken against the Soviet Union's expansion of power and influence, has angered the Yemenis.

Senior officials have said publicly and privately that the whole matter could have been dealt with more discreetly and with greater consultation with North Yemen. It is widely felt that Washington is more interested in its own interests than in defending North Yemen. The president and high officials have spoken out against Yemeni matters becoming subject to the desires of international powers.

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The Money Manager

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Irish envoy attacks sympathy for IRA

David Suchan in Washington

IR. SEAN DONLON, Irish ambassador to the U.S., criticised certain Congressmen yesterday for lending a sympathetic ear to IRA views.

But he said the amount of aid and money reaching the IRA from the U.S. had diminished in recent years. He also criticised certain Congressmen for lending a sympathetic ear to IRA views.

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U.S. Government forecasts budget deficit of \$33.4bn

By JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

THE CARTER Administration is now projecting that the current fiscal year's budget deficit will be \$33.4bn, \$4.2bn less than the estimates contained in the January Budget.

For the 1980 fiscal year, which begins in October, the deficit is now estimated to be \$28.4bn, compared with \$29bn of the January Budget.

The reduction in the current year's deficit is accounted for by a \$5.8bn jump in the level of receipts, partly offset by a \$1.6bn increase in Federal outlays.

It is the individual tax payer who is bearing the brunt of the impact of higher income tax payments, reflecting the impact of inflation pushing individuals into higher tax brackets and the presently vigorous level of economic activity. Only small changes are seen for corporate tax payments.

On the expenditure side, the increases are principally in the defence and oil sectors, the cancellation of several large Iranian orders has shifted the burden to the Department of Defence to the tune of an extra \$500m in fiscal 1979, and there

will be an extra \$200m in outlays for the foreign military sales trust fund, as a result of Iran's action.

On the oil side, the disappointing result of the February continental shelf oil auction means the Government now estimates

that it will receive \$600m less in rents and royalties from offshore exploration and production than previously calculated.

The only other significant budgetary change reducing expenditures stems from the substantially lower than anticipated participation in the public works jobs programme.

Prime rate rise

FIRST Pennsylvania Bank announced yesterday that it had increased its prime lending rate to 11 1/2 per cent from 11 per cent, effective immediately.

Reuter reports from Philadelphia.

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Kidnappers criticise British attitude

By Our Foreign Staff

LEFT-WING guerrillas in San Salvador hinted that they might soon free a kidnapped Japanese businessman because his company was willing to negotiate his release, but said the attitude of the British Government made negotiations for the free of two British bankers difficult.

Armed Forces of National Resistance (FARN) guerrillas kidnapped the Japanese businessman last December, a week after they abducted British bankers Ian Massie and Michael Chatterton.

In London the Foreign Office refused to comment on the case. Its general policy has been to try to show that it does not yield to "terrorist tactics."

The attack on the British Government's attitude coincides with the release of a further report by three British MPs attacking the El Salvador Government's record of torture and denial of human rights.

The guerrilla's communiqué said that Britain was indifferent to the fate of Mr. Massie and Mr. Chatterton, manager and assistant manager of the Bank of London and South America, a subsidiary of Lloyds Bank.

The FARN said Britain's "intransigent and irresponsible attitude" made a negotiated settlement for the release of the two men difficult.

Doubt after Sohio decision

BY DAVID LASCELLES IN NEW YORK

SOHIO'S DECISION to abandon its \$18bn project to pipe Alaskan oil from a Californian terminal to the central and eastern U.S. raises doubts about prospects for increasing Alaskan oil production. It also highlights the problems facing energy policy-makers.

Sohio's motives have been questioned and it is suggested that the company wanted an excuse to drop the scheme.

In its announcement on Tuesday, the company, now 52 per cent owned by British Petroleum, blamed its decision on fierce environmental opposition and bureaucratic delays which had held up the project for four years.

Officials in California claim that the last two major permits would have been issued by the end of the month. They also blame Sohio for dragging its feet at crucial stages of the approval process.

Sohio also attributed its decision to the fact that two disused gas pipelines which were to have been incorporated into the project might not be available because of changing gas supply patterns. El Paso, owner of the pipelines, says it has not withdrawn.

It agrees with Sohio's claim that it might have more gas to pipe than previously expected, but it still has authority from the regulators to convert the pipelines to oil use.

Sohio has been accused of bluffing in an effort to speed up approval and push environmental objections aside. Many

observers dismiss this argument for several reasons. Assuming that California did issue the permits this month, private litigation would still block the way, they say. As one observer put it: "There is nothing to stop a single individual filing a lawsuit which would delay it still further."

Sohio also has to measure the project's economic return. It has already lost about two years' use of the pipeline and, even if it received the go-ahead tomorrow, oil would not start flowing before the early 1980s.

Alaskan oil will probably last until early in the next century. But Sohio had to make assumptions about how much of this oil could be absorbed in California and how much would be left to pipe out. By the latter half of the next decade the surplus could be quite small. Local consumption is bound to rise and refineries are being built to process Alaskan oil in California.

The cost to Sohio of abandoning the project is about \$50m, which represents its investment so far in land and engineering studies. The company will mark this sum down against first quarter earnings.

The major concern now is that absence of the pipeline will make it more difficult to increase production in Alaska because of the lack of readily accessible markets.

Senator Henry Jackson, chairman of the Senate Energy Committee, has reacted quickly to Sohio's move by ordering an investigation into the alternatives. These include a 1,500-mile pipeline in the North and a pipeline linking the northern U.S. with Canada.

The Administration favours a major West-East pipeline, not only because of Alaskan oil, but as a basic feature of the oil supply system. The Middle East is closer to the western coast and the emergence of Indonesia as a big supplier would provide further justification for the scheme.

ABANDONED: the Sohio pipeline project for Alaskan oil.

California Arizona Santa Fe New Mexico Texas Midland

Long Beach

Mexico

PIPELINE EXISTING NEW

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Alberta premier's landslide victory

By Victor Mackie in Ottawa

PETER LOUGHEED, premier of the oil-rich province of Alberta, has swept almost the entire province in Wednesday's election, winning his third consecutive term in office with an increased majority.

The final standings (with 1975 results in brackets) are as follows: Progressive Cons.: 74 (69), Social Credit 4 (4), New Democratic Party 1 (1), Independents 0 (1).

Premier Lougheed remains dedicated to national unity, but does not accept the view that all decisions should be made in central Canada.

UNION LEADERS have appealed for calm following violent incidents between police and striking metalworkers in the Sao Paulo industrial belt. Reuter reports from Sao Paulo. The strike by 200,000 metalworkers demanding higher pay entered its third day bringing the motor industry in the area almost to a standstill. Unions have rejected a 63 per cent wage increase for lower-paid workers and are demanding 78 per cent.

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Venezuela to settle oil taxes

By Kim Foad in Caracas

THE NEW Venezuelan Government has assured foreign oil companies that long-pending tax claims against them, totalling almost \$400m, will be settled without political fireworks.

Mr. Humberto Calderon Fari, the Energy Minister, said the controversy would be ended by the new Administration while some officials reported that "Venezuela will respect legal norms" in settling the claims inherited by President Luis Herrera Campins who took office last Monday.

The complex package of claims has strained relations between Venezuela and the companies whose properties were nationalised in 1976, but will buy about 65 per cent of Venezuelan oil and supply technical support for the State oil industry. The two-year sales contracts involve more than 1m barrels of crude.

Settlement has also held up reimbursement of some \$270m placed in a fund held by the Central Bank for Exxon, Shell and other companies to guarantee that Venezuela would receive oil industry equipment and installations in good working order. About \$50m has been deducted from the fund for repairs and replacement of equipment.

The tax claims fall into two distinct categories: conventional claims on oil company tax returns dating as far back as 1968, and a \$258m claim lodged in 1976 by the Comptroller of the Republic and based on a controversial legal interpretation of a 1970 income tax law reform.

na 'homework'

Treasury Secretary

hael Blumenthal said he

not believe China would

be seeking membership

world financial institutions,

ter reports from Washing-

He told a House of

representatives sub-com-

tee that China wanted to

its homework on exactly

to develop its economy

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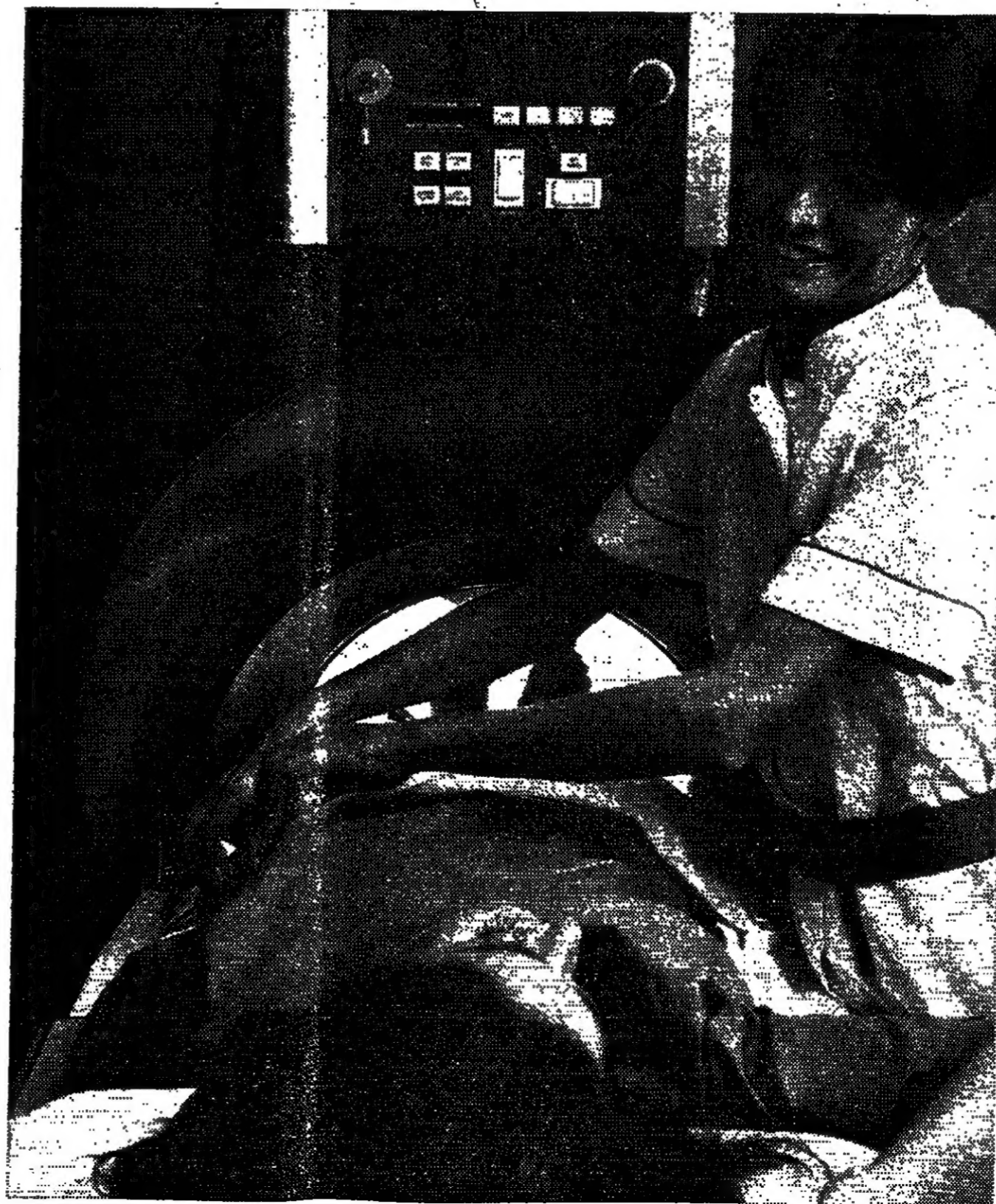
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BARCLAYS
International

Ministers invite Grenada to talks

By TONY COZIER IN BRIDGETOWN

INTERNATIONAL representatives of the fellow Commonwealth nations—St. Lucia, Jamaica, Barbados, Guyana—made no decision on diplomatic recognition of the Government of Grenada during a hurriedly summoned meeting here.

Instead, they invited the new government, brought to power by a coup on Tuesday, and a representative to meet in an effort to facilitate evaluation of the Grenada situation on the basis of the intentions of the development of the Caribbean.

Ministers in Kingston, Jamaica, said yesterday that they expected Jamaica and Guyana to announce recognition of the Grenada Government.

Mr. Maurice Bishop, the 40-year-old lawyer who has been named Prime Minister of the new revolutionary Government of Grenada, announced that a high-ranking official would fly to Barbados for the meeting.

Mr. Bishop himself has affirmed his Government's commitment to Caribbean unity and to Caricom (the Caribbean Community) in particular.

The coup appears to have been achieved with remarkable smoothness and only one death has been reported, that of a police official who was shot while resisting the "revolutionary" forces.

Business is back to normal throughout the 133-mile island. The airport, closed for some hours, has been reopened.

More than 200 British holidaymakers are believed to be on the volcanic island but a Foreign Office spokesman in London said yesterday: "We

don't think any Briton is in difficulties or at risk."

Mr. Bishop, previously Leader of the Opposition in the House of Assembly and head of the Left-wing New Jewel Movement, has also begun moves on the diplomatic front.

Two United States and Canadian consular representatives from Barbados arrived in St. George's by Barbados coast guard vessel on Wednesday to assess the situation, while Mr. Bishop has said he has been assured by Mr. Christopher Digges, the British High Commissioner in Trinidad and Tobago, that Britain has no intention of becoming involved.

In addition, Mr. Kenneth Radix, a leading member of the New Jewel Movement, has arrived in New York to gather support at the United Nations, particularly among Third World nations.

At the end of the Barbados meeting yesterday, the Ministers said they hoped "free and fair elections would be held without delay" and offered help in organising them if it was requested.

They also cautioned against any justice interference, affirming that "the affairs of Grenada were for the people of that territory to decide and accordingly there should be no interference." They note that the coup was "contrary to the traditional method of changing governments in the region."

The Ministers also felt that the wider interests and unity of the area and Grenada required a return to constitutionality as soon as possible.

Trinidad and Tobago did not attend the meeting but gave no reason for its absence.

JAPANESE TV EXPORTS

U.S. outcry over 'saga of deceit and delay'

BY JOHN WYLES IN NEW YORK

MR. JOHN J. NEVIN, who as chairman of Zenith Radio Corporation has been in the front line of the battle against the dumping of Japanese television sets in the U.S., was disappointed but not surprised yesterday that Japanese importers appear to have won another partial victory in their long battle to fend off dumping duties.

The U.S. Treasury announced on Tuesday that importers may have to pay \$48.3m on receivers imported into the U.S. from the beginning of 1972 until June 1978. But Mr. Nevin suspects, and sources in the U.S. Customs service confirm, that this total is likely to be revised downwards following a Customs review of information lodged in formal protests by the importers.

The Treasury offered a significant pointer when it disclosed that importers would be allowed to make the payments partly in cash and partly in promissory notes. Its review of the protests and final determination of the liability of each of the 35 importers concerned would be completed by August 1.

But the Treasury has made no decision about trying to collect the penalties for the dumping between March 1973 and January 1977. This would be the largest assessment ever in a U.S. dumping case and domestic manufacturers fear that Japan has enough political clout to delay and quite possibly to have the penalties substantially reduced.

There has been no reaction in Congress yet to the Treasury's move this week over an issue which has generated considerable political heat from time to time because of the impact of Japanese imports on the domestic television industry. According to Zenith some 60,000 jobs have been lost because of Japanese competition between 1973 and 1977 and other producers' pre-tax profit margins pared during the period to a scant 0.4 per cent of sales.

But increasingly in the past two years Zenith has been taking its stand on the implications for American law and Government

of what it believes to be a deliberate treasury decision not to implement the Anti Dumping Act of 1921.

The television dumping case, says Zenith, an eight year saga of deceit and delay involving "false and fraudulent submissions" by television importers and evidence that the Treasury itself "has been as deceitful as the importers and as responsible as they are for long delays in the enforcement of the law."

While unwilling to concede the charges of deceit, Treasury officials now acknowledge privately that the matter should have been dealt with more speedily. The Tariff Commission's finding that American companies were suffering injury through dumping was issued as long ago as March 1971.

In the next 12 months, the Treasury collected about \$1m in dumping duties, but assessment was then stopped and not resumed until March 1978.

For nearly all of that period, however, the Treasury was by law required to assess duty based on the difference between

the purchase in the U.S. of the television sets and their "foreign market value" in Japan.

Although the Secretary of the Treasury, Mr. William Simon, signed a letter to the International Trade Commission in September, 1978, containing an assurance that dumping duties were being assessed, the evidence is that at that time no assessment had been made for four and a-half years.

The issue started to roll again in early 1977 when the U.S. Customs Service came to believe that the purchase prices on import documents for television receivers may have been less than accurate. In March last year, the service sent evidence to the Justice Department relating to possible illegal rebates and three Grand Juries are now considering the matter.

Pursuing the investigations, the Commissioner of Customs concluded that the foreign market value of Japanese sets could be gauged accurately from Japanese commodity tax reports. The commodity tax is based on the wholesale selling

price of receivers and this approach was approved by the Treasury in mid-December as a basis for assessment.

But in March, 1978, the Japanese complained to the State Department about this method of establishing dumping duties and soon afterwards the Treasury decided to delay the assessment of all but the \$46m of duties. According to Zenith this decision ignored the recommendation of the Commissioner of Customs.

Before this week's announcement the Treasury had three times postponed the due date of payment on the \$46m assessment. Treasury sources insist there was nothing sinister about this and that the delay was due to the fact that importers were providing fresh information on pricing which needed careful evaluation.

This is continuing and examiners are expected to go to Japan to examine manufacturers pricing records within the next few months—a highly unusual move this late in the dumping proceedings.

EEC in Third World row over GATT safeguards

BY BRIJ KHANDARIA IN GENEVA

THE EEC is embroiled in an argument with developing countries over the GATT safeguard clause. This dispute could seriously undermine chances of an early completion to the Tokyo Round of multilateral trade negotiations.

At stake is the Community's right to take unilateral measures to slow down or halt imports from one or more countries without taking the same action against imports of the same products from all other sources.

The quarrel has occurred in negotiations here to replace the existing safeguards clause which the industrialised countries say has not worked effectively.

The main failing of the existing clause is the EEC's view, is that it must be invoked against imports from all sources. In addition it may be applied only in exceptional circumstances, for a very limited period, with advance notice, and after clear proof of injury to domestic

producers of the products in question has been established.

Under pressure from some ailing industry groups in several member countries, such as Britain, the Benelux and France, the EEC's executive commission is arguing here that the safeguard clause should be revised to permit selective application against imports from specific countries.

The Community also wants the freedom to apply the curbs unilaterally before consultation with affected trading partners. It has also introduced criteria such as market penetration and market disruption which for many other nations, are not as stringent and clear-cut as the concept of injury to home markets.

The Commission's negotiators have seen to have overcome earlier differences with the U.S. but have run into stiff opposition from developing countries.

The Third World countries hardened their position on the safeguards code at their own conference held last month at

Arusha in Tanzania. They now say quite firmly that the Community's proposals would effectively legalise protectionist measures without ensuring strict international surveillance or prior consultation.

This new commitment to group solidarity has undermined earlier hopes that the developing countries would in the end accept the Community's proposals. It had previously been argued that the developing countries would be split over the issue, isolating a handful of countries such as Singapore, South Korea, Hong Kong, Brazil and India who insist that they would not sign the code unless the Community softened its stand.

Spain is expected to sign an agreement limiting steel exports to the Common Market in the next few days, Reuter reports from Brussels.

It is understood Spain has agreed to limit exports to 800,000 tonnes in 1979, a reduction of almost 100,000 tonnes on last year's quota.

Toyota's foreign sales rise

TOKYO—Toyota said yesterday its vehicle exports in February rose 5.6 per cent to 103,661 from 98,164 in January, but were down 15.6 per cent from 122,797 in February last year.

It exported 5,410 vehicles in February for assembly abroad, compared with 5,739 in January.

Meanwhile Nissan said its February exports fell 0.8 per cent to 78,248 from 78,887 in January, and fell 27 per cent from 107,250 in February last year.

Toyota said it exported 50,386 vehicles to the U.S. down 12.3 per cent from a year earlier, 6,073 to Saudi Arabia, down 46.5 per cent, 4,457 to West Germany, up 71.5 per cent and

S. Africa to export more steel

BY QUENTIN PEEL IN JOHANNESBURG

THE SOUTH AFRICAN Iron and Steel Industrial Corporation (ISCOR), is planning to export 1.8m tons of steel products in the 12 months to June 30, more than 12 per cent up on the previous level of 1.6m tons, in spite of the depressed world market.

In the face of increasingly protectionist policies in its traditional markets, the EEC and the U.S., the State-owned corporation is now exporting to 36 countries, according to an ISCOR spokesman. But the loss of its export market in Iran—ISCOR suspended shipments at the end of January—means that

a further diversification is necessary.

South Africa's primary steel exports virtually doubled between 1976 and 1977, from 1.1m to 2.1m tons, but last year's increase is expected to show only a marginal improvement, according to a recent survey of the industry by the Standard Bank.

The bank predicts, however, that South Africa will remain a net exporter of steel products, at least until the early 1980s, because of slack domestic demand.

The reason for South Africa's sudden expansion in the world steel market was that a major

expansion programme at ISCOR came on stream just when the domestic market was deeply depressed. The only alternative was to export, which the corporation has proved very successful at doing.

South Africa actually expanded steel production between 1976 and 1977, when most major producers were cutting back.

ISCOR maintains that although it is not making a profit on its steel exports—"nobody is these days"—neither is it making a loss. Its exports for the current year are expected to earn some R300m (\$354m).

HK discusses China power line

HONG KONG—China Light and Power confirmed it is holding discussions with the Chinese authorities on the supply of electric power from Hong Kong to China. But a company spokesman declined to comment on press reports that supplies to Shenzhen in Canton province would start at the beginning of next month.

In January it was reported

that work had started on the installation of power lines to China with supplies to be started within three months.

Although initial supplies are small in relation to the province's substantial need for additional power to feed its growing industry, China Light is expected to significantly increase supplies when its new power station at Castle Peak

comes on stream in the 1980s. China has already agreed to supply coal for the new plant.

Meanwhile the Hong Kong Communist Daily Ta Kung Pao reported a 150,000 kw power plant is to be built in Bao'an prefecture in Guangdong Province later this year, with a large part of the equipment provided by Hong Kong businessmen.

ASEAN tariff cuts start

SINGAPORE — Preferential tariff cuts on 500 items, agreed by economic ministers of the Association of South East Asian Nations (ASEAN) last December, came into force yesterday.

This raises to 1,326 the number of items which the ASEAN members—Indonesia, Malaysia, the Philippines, Singapore and Thailand—have exchanged import duty cuts under a preferential trade scheme agreed in 1977.

Included in the latest batch, made up of 100 preferential

offers from each country, are a wide range of foods, household goods and basic industrial materials.

Reductions on existing duty rates will vary between 10 and 20 per cent.

Half the offers from the generally low-duty Singapore, and a third of those from Malaysia, take the form of binding undertakings not to impose tariffs on goods which already enter the two countries duty free.

Reuter

\$10m line of credit for Soviet Union

THE Export Credits Guarantee Department has guaranteed a \$10m line of credit which Morgan Grenfell, acting on its own behalf for the Bank of Scotland and Moscow Narodny Bank, has made available to Vneshtorgbank, the Soviet bank for foreign trade.

The loan will help finance a wide range of UK capital goods and associated services contracts placed in the UK by Russian buyers.

Jet sales remain buoyant

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BOEING OF the U.S. expects the coming year to produce another high volume of new jet orders, closely matching last year's peak level.

Mr. E. H. (Tex) Bouillon, president of the Boeing Commercial Airplane Company, said in Seattle last week the company had received firm orders for 380 jets, worth \$8bn (\$9bn) and he believes that this year there will be new orders for about 370, also worth about \$8bn.

In an interview with Aviation Daily, the U.S. aviation journal, he said that Boeing's production is virtually full for the next two years, and that airlines this year

will be ordering jets for delivery in 1981 and beyond. Production will be raised to 28 jets a month by the end of this year.

He said he expects the highly successful twin-engine 737 and three-engine 727 to remain in production "at least through 1985, and that is as far ahead as we can see."

Meanwhile, McDonnell Douglas has just delivered its 300th DC-9 jet airliner, a record for twin-engine jet production. The company has booked firm orders for 1,005 aircraft, with options on another 35.

Pipeline deal

A contract worth in excess of \$50m to carry out the construction of the western section of the Trans Saudi Arabia pipeline, which is intended to carry crude oil from Abqaiq to the new industrial port of Yanbu on the Red Sea has been awarded to the joint venture between the Contracting and Trading of Beirut and Houston Contracting. Contracting and Trading of the Lebanon is the parent company of Mothercat, a British registered construction company.

PIA leases NY hotel

BY OUR AEROSPACE CORRESPONDENT

PAKISTAN INTERNATIONAL AIRLINES (PIA) through its hotel subsidiary, has signed an agreement to lease the Roosevelt Hotel, New York, for 30 years, from this April 1, with the option to renew the lease for three successive terms.

The 1,076-room hotel will be operated by Mr. Stan Cox of the U.S., and Minhal, a hotel management company formed by PIA in conjunction with the French Novotel chain.

PIA is also planning other hotel projects, including one in Abu Dhabi, due to open in July, and another now under construction in Riyadh, Saudi Arabia.

The airline is also negotiating for an hotel in Paris.

In the first half of the current financial year, the airline achieved a record operating surplus of \$20.6m, 18 per cent more than in the same period last year. For the full year, to June 30, PIA expects to achieve its target profit of \$30.4m on turnover of \$405.2m.

● The Board of Swissair yesterday approved an investment of \$200m (Swfr 697m) for purchase of 10 European A-310 Airbus with an option on 10 more. The contract was signed in Paris with Airbus Industrie.

Aid for Jordan

Britain has made a \$10m loan to the Government of Jordan towards the cost of a \$215m project to aid fertilizer production by recovering potash from the Dead Sea. The loan will be on-lent to the Arab Potash Company and will help finance work to be carried out by the British Company George Wimpey Construction, which has won a contract worth more than \$50m for civil construction work that includes building dykes and salt evaporation pans.

Drill pipes

Reynolds Metals will be supplying the Chinese Ministry of Petroleum with 43,000 ft of aluminum drill pipe and will also be supplying assistance on initial use of the pipe. The order is scheduled for delivery in May and June, and is of sufficient quantity for eight oil well drilling rigs.

CHINA TOURISM

Peking lures hotel groups

BY JOHN ELLIOTT RECENTLY IN PEKING

LIFE IN Peking has eased somewhat for businessmen chasing contracts by the sales appearance on the sales counters of the Peking Hotel of bottles of Scotch whisky and cans of coca cola. By summer however when tourists pour into hotels that are at present mainly occupied by businessmen and foreign trade delegations, the need for such sustenance may well increase.

Hotel space in Peking and other Chinese centres is severely limited and it is likely to remain so for some time. The building programme aimed at providing 20,000 beds in 30 tourist hotels is completed.

Contractors currently chasing orders include the Cementation International of the UK part of the Trafalgar House group, which has just submitted a proposal to the Chinese Government for the construction and equipment of one, or possibly two, hotels for use by tourists from the West.

Cementation has built about 20 hotels around the world in recent years, frequently for the Hilton Group, and at present in Poland, Dubai and Bahrain.

Its talks with the Chinese are still at an early stage and its managing director, Mr. Bill Francis, who was in Peking last week, does not yet know where in China the hotels might be located.

Other major groups seeking contracts include Intercontinental, part of Pan American, and Hyatt International. Various Hong Kong developers have prepared their own proposals. But it is understood that Peking officials are insisting they have, as yet, signed no firm contracts with any major hotel groups.

Cementation's bid is being helped by the UK Export Credit Guarantee Department, but the precise cost of the hotels will depend on how much work the Chinese want to carry out themselves. Rough estimates of \$1,000 (£500) a bedroom, which have appalled Chinese officials, could for example be brought down to something like \$500 if China provided the building labour free. At this stage Cementation has been discussing hotels containing 500 to 1,000 beds.

China wants to develop tourism as fast as possible as

a major earner of foreign currency. It is planning to build its new tourist hotels in Peking and Shanghai, plus other provincial capitals and tourist spots, as well as in the hometowns of overseas Chinese in the Guangdong, Fujian, and Zhejiang provinces.

There may be three types of tourist hotels—one for expatriate Chinese, one for Japanese, and one for the rest of the world. How much the quality, facilities, or freedom for visitors will vary in the different categories remains to be seen. But such segregation may make it easier for U.S. hotel groups to provide oases of the American style of life in China.

The construction of these hotels should ease the tourist season pressure on existing hotels where substantial numbers of bedrooms are turned into office suites by businessmen chasing orders.

The Chinese Government plans to build a general trade and office centre in Peking to accommodate foreign companies but there are signs yet that this will be completed soon.

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Britain 'in danger of losing ground on microelectronics'

BY JOHN LLOYD

TAIN is in danger of falling behind its competitors in the use of microelectronics in production, and in the manufacture of products incorporating microelectronic technology, Mr. Williams, industry minister, warned yesterday.

His sharp criticisms of UK industry were made in the wake of announcing a crash programme of measures designed to increase awareness of microelectronics among top industrialists and trade ministers. It is part of the £55m microprocessor Applications project, announced last June. The Minister said that "there are serious signs that British industry has rather buried its head in the sand. It isn't applying the new technology at the rate of our competitors."

He said that the new generation of microprocessors were being upgraded every 12 months. "Unless industry keeps pace with the rate of change, its products will not just be out of date, they will actually be obsolete."

The awareness programme, which the Government is undertaking in association with PAULANTs on a £500,000 contract, has as its top priority to give industry a good shaking in the four main elements in the

programme which will be coordinated by the consultants are:

- A "workshop" programme for 3,000 of the most senior managers from the country's top electronic technology, Mr. Williams, industry minister, warned yesterday.
- Joint visits by the TUC and CBI abroad, to examine the application of microprocessors to production and consumer goods in advanced companies.
- The establishment of a central microprocessor information centre at the Department of Industry.
- Mr. Williams said that the number of training places for engineers had already been doubled, 200 feasibility studies had been approved, and 300 applications for projects involving microelectronics had been received.

£50m rail truck scheme

BY ROY HODSON

FINANCIAL institutions are interested in putting together a £50m package for a fleet of specialist British Rail trucks.

British Rail and the other interested parties, the British Steel Corporation and the British Scrap Federation, have formed a working party to investigate the proposition.

Rail wagons at present used for taking scrap to steelworks are reaching the end of their lives, and are being scrapped. The 4m-tonnes-a-year scrap steel transport business traditionally handled by the railways is in danger of being switched to the

roads during the next five years unless a new fleet of trucks can be provided.

The working party will study tentative financial deals in the form of loans or leasing arrangements. Several institutions are understood to be queuing for the business, which would involve building a fleet of about 2,000 new wagons, each costing some £16,000.

The scrap merchants recently appealed to the Department of Industry for a solution to the scrap wagon replacement problem.

Neither the merchants nor British Steel or British Rail are

willing to take responsibility for totally financing a new fleet. But a co-operative venture using private sector finance is thought to stand a good chance of receiving Government grants.

Transport difficulties continued to affect British Steel production in both private and public sectors during February. The aftermath of the baulage and rail strikes was still affecting steelmaking throughout the month. But steel output showed a 7.1 per cent improvement on February 1978, indicating some market recovery and the building up of stocks by industry.

Call for bigger and easier home grants

By Paul Taylor

GOVERNMENT home improvement grants to private householders are failing to keep pace with inflation, and the procedure for obtaining them is too long and complex, said Mr. Bryan Jefferson, senior vice-president of the Royal Institute of British Architects yesterday.

Mr. Jefferson's criticisms of the grant system were made at the annual luncheon of the National Home Improvement Council held in London.

He said increased grants must be made available if there is to be a significant response to the challenge of housing decay in the private sector and he called on the building societies to take the leadership in the field.

However, Mr. Jefferson warned that after the long recession there was the danger that even a small increase in work-load could result in labour and material resources becoming over-stretched.

He welcomed steps towards a register of approved contractors to outlaw "cowboys" in the industry, who could do great harm to the industry's reputation.

'Peachey' credit changes proposed to Companies Bill

FINANCIAL TIMES REPORTER

THE GOVERNMENT is proposing to table what it terms a series of "Peachey" amendments to the Companies Bill, which is now in the committee stage. Announcing this, Mr. Robert MacLennan, Parliamentary Under-Secretary for Prices and Consumer Protection, said the move had been prompted by the result of the Department of Trade report into the affairs of Peachey Property Corporation published last year.

The report found that Sir Eric Miller, Peachey chairman, had used Peachey rather than a private bank. Mr. MacLennan said that this would have been a criminal offence had Sir Eric taken loans from Peachey, but instead he had in effect used Peachey's credit, and this was not illegal.

More time would be needed to get the provisions right. But it was proposed to add to the provisions governing loans to directors, clauses 49 to 51 in the Bill, a new set of similar provisions dealing with credit transactions between a director and the company of which he is a director or any of its subsidiaries.

"We have put down a number of amendments in anticipation of new clauses which will define credit transactions and the

nature of controls which will be exercised over such transactions," Mr. MacLennan said.

It is intended that the term "credit transaction" will include all transactions involving the sale of goods or services on credit or on an instalment or deferred credit basis, including hire purchase and the use of credit cards. It will also include the practice, highlighted in the Peachey report, in which the company makes payments for goods and services which are not bona fide for the purposes of the company but from which a director benefits personally and in respect of which he is liable subsequently to reimburse the company.

£50,000 limit

It is thought likely that the Government will apply a £50,000 limit which will be an aggregate of all loan and credit transaction balances. Disclosure of such aggregate balances is understood to be a requirement over £5,000.

During the committee proceedings yesterday the Conservatives lost an amendment whereby directors of recognised banks would be exempt from the new Companies Bill in relation to directors' loans. That amendment also gave control

over banking directors' loans to the Bank of England rather than the Department of Trade and the courts.

In another lost amendment, which had been tied after a division, the Opposition sought to show that preferential treatment for employees rather than directors of a company would produce an anomaly. Three Conservative MPs, Mr. Peter Brooke, Westminster South, Mr. Tim Renton, Mid Sussex, and Mr. John Cope, Gloucestershire South, had tried to show that it might be possible for a senior official to join a company to obtain a substantial company loan and then join the board only after that loan had been granted. Mr. Ian Mikardo, Labour MP for Tower Hamlets, Bethnal Green and Bow, in a rare alliance with his Conservative opponents, declined to vote at the division.

A further Conservative amendment that the total aggregate value of loans available to directors proposed at £50,000 in the Bill, should be increased by any rise in the retail price index, was also lost, but Mr. MacLennan felt it right that the monetary limits of such aggregate loans should be raised, or changed, by the Minister concerned.

British Aerospace profitable again

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ISH AEROSPACE, the aircraft manufacturer, earned a profit again last year according to Lord Beswick, chairman. In 1977 the corporation's trading profit was £65m, 29m after tax.

He told a meeting of the Royal Aeronautical Society in Bristol that British Aerospace aimed to make profits. "We shall interest on loans and a dividend on capital we borrow. We show for last year a very respectable return on assets."

Discussing the recent Treasury report which had suggested some aerospace ventures lose money, Lord Beswick said: "It does not come well as a Government department at this increasingly busy practice of putting up a lot of money, to criticise a making public enterprise."

It seems especially mischievous to talk of losses on a set after three or four years' operation, when we know a modern commercial aircraft is unlikely to break-even even to 10 years but can be expected to be showing

comfortable profits for 10 years after that.

"The real question before British Aerospace and indeed before Britain is not a short-term one of finding jobs but a long-term one of building a secure base on which we can earn a living."

"The decisions we have taken on new commercial aircraft were approved by the Government of the day. After such approval, I find it almost impossible to comprehend that a responsible department of the same Government should be making criticisms of those same projects only a matter of months after the go-ahead was given."

"We plan to get a properly balanced programme across the military and commercial markets. We shall need to invest some large sums of new money, about a half of which we plan to generate ourselves. We accept that to make the most of our opportunities we have constantly to improve our productivity, and a renewed call to this end, with the work-load before us, is not only justified but is essential."

Concorde consultant for British Caledonian

ISH CALEDONIAN, the independent airline, has hired Mr. Gordon Davidson, former Concorde director for British Airways, as its own Concorde consultant from 1 April.

British Caledonian has asked the Government for approval to over at least one of the unsold UK-built Concorde use on the airline's own network.

precise routes are not yet defined, but could include to Atlanta, Georgia, or to India or other places in the world.

The five Concorde owned by British Airways, whereby the £160m purchase price was written off.

This left two Concorde unsold on the UK assembly line, one of which has flown and is grounded at Filton, near Bristol, while the other flies this spring.

British Caledonian has shown interest in at least one aircraft, but it is understood that if its plans do not materialise, the two unsold aircraft may be allocated to British Airways.

Joint Belfast venture to create 100 jobs

A JOINT venture has been agreed in Ulster between the Northern Ireland Development Agency, a U.S. company and a local engineering company which will mean more than 100 new jobs.

The agency and Clabir Corporation of Connecticut will jointly inject new equity into Everton Engineering, an Ulster company acquired six years ago by Wharton Engineers of Elstree.

Everton is involved in heavy fabrication, mainly as a subcontractor on equipment for power generation.

Historic Chelsea college to be auctioned this year

BY CHRISTINE MOIR

3 FORMER teachers' training college of St. Mark and St. n in Chelsea, London, is to be under the hammer later this year.

The auctioneers, Knight Frank and Rutley, expect offers more than £1.5m for the 3m-acre complex which once formed part of Sir Thomas's estate.

The college also has historical relations with Samuel Taylor Coleridge—the son was the first principal—and with Lord Milton, husband of Emma, was secretary to Lord Elgin. Installed plaster casts of the in Marbles in the principal's use.

The house itself was originally

built for the fifth Earl of Derby in the 16th century.

Four of the buildings, including the Coleridge Building, the principal's house, the chapel and the octagonal library, are the subject of preservation orders.

A further restriction applies to the walled gardens behind the Kings Road: the planners want that kept as open space.

Interest is expected to come from educational or other institutions, as the site is zoned Class 12, for school use.

Only the 99-year leasehold will be available. The freehold is to be retained by the GLC which bought it in the early 1970s as part of the land acquisition scheme for the now abandoned West Cross road network.

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UK NEWS

Shipper
sells a
second
vessel

BY LYNTON McLAIN

THE GRAIG Shipping Company of Cardiff has sold its second vessel in less than a year and again has refused to take delivery of a new bulk carrier from a Japanese yard because of technical problems.

The company, quoted on the London Stock Exchange, has had difficulties in meeting capital loan repayments on new ship purchases for the last year and has been caught by the rise in the value of the Japanese yen.

Graig Shipping said yesterday that it had been forced to sell the 11-year-old, 31,600 dwt Graigton to provide the extra funds needed to the end of the year. The ship was sold to the Global Shipping Company of South Korea for almost £2m. It had a book value at the time of sale of more than £524,000.

Smoke fault
But the company made a pre-tax loss of £778,330 for the half year to September 30, 1978. The sale of the Graigton, 26,500 dwt bulk carrier in the summer, provision was made for a loss of almost £821,000 on this sale.

A third vessel, the Graigwyd, sister ship to the Graigton, has been completed at a Japanese shipyard but Graig Shipping will not accept the vessel until problems of smoke emission from the engines are solved.

The general council of British Shipping said last night that British shipowners had sold more than 150 ships last year, which represented 8 to 9 per cent of the British registered fleet. The council said shipping companies were waiting for an improvement in the freight market which would come with a sustained growth in world trade.

Mr. Philip Loeve, chairman of the Federation of American Controlled Shipping, urged delegates at the World Shipping Conference in Bath last night to defend the free market in shipping and to reject UNCTAD plans for a balanced share of world trade between the developed and developing nations.

State shipyards 'lose
three hours work a day'

BY LYNTON McLAIN

EACH British Shipbuilders shipyard loses an average of more than three hours production time a day through late starts, early finishes, waiting time and other factors.

The figures are given in the latest issue of Shipbuilding News, the State-owned corporation's house journal, by Mr. John Parker, the British Shipbuilders' board member for shipbuilding.

Mr. Neville Trotter, Conservative MP for Tynemouth and vice-chairman of the Opposition shipping and shipbuilding group, said the figures were an indictment of the lack of productivity in State-owned yards. "They were appalling and astonishing."

Mr. Trotter tabled two questions in the Commons

yesterday. He called on Mr. Eric Varley, Industry Secretary, for his comments on the shortfall in production time, and asked what might be hidden in the British Shipbuilders' Corporate Plan to tackle the problem.

The greatest loss of production time comes from workers' late starts and early finishes. These account for 47 minutes out of the 185 minutes lost on each eight-hour shift.

The next greatest element is the "idle time within work-force control," which accounts for 31 wasted minutes.

It takes each worker 26 minutes to reach his work station from his normal base, and there is 31 minutes waiting time on the job.

Morning and afternoon breaks account for 23 lost minutes, bad weather takes up an average of 17 minutes, and the correction of errors takes 13 minutes. Other factors, not named by British Shipbuilders, take eight minutes off the daily production timetable.

Mr. Parker said he wanted the article in the journal with these figures to "stimulate discussion at all levels in the industry."

The average production performance of each man in British Shipbuilders' yards is only half that of Japanese yards and some in Europe. Mr. Parker wants every employee in each company to seek ways of contributing towards making the companies as efficient as others in the world.

UK chemical investment 'rising'

BY SUE CAMERON, CHEMICALS CORRESPONDENT

THE UK chemical industry is expected to invest some £6.7bn in Britain during the next three years, the Chemical Industries Association said yesterday.

The association has carried out a survey among its members and predicts that total investment between 1978 and 1980 will beat all previous records—at constant prices—for UK chemical industry spending. But it expects fixed capital investment to start declining—in both real and cash terms—in 1981.

The survey found that during last year the chemical industry's fixed capital spending was £1,045bn—18 per cent up on 1977 in constant price terms and 27 per cent higher in cash terms. This sum represented 19 per cent of total spending by UK manufacturing industry during 1978.

It was also found that the rate of UK spending as a proportion of total chemical investment within the Common

Market had "risen rapidly" and now stood at 25 per cent. This year it is expected to reach a level "considerably higher" than the UK chemical industry's present market share within the Common Market.

But the findings suggest that overcapacity in UK chemicals will continue and yesterday leaders of the Association said overcapacity would rise as the UK investment programme went ahead.

BP makes contingency plans

BY RHYS DAVID, NORTHERN CORRESPONDENT

BRITISH PETROLEUM expects to have adequate supplies for the UK market for the next few weeks but is making contingency plans for May and June in case of shortages resulting from reduced supplies from Iran, Mr. John Riddell-Webster, deputy managing director of BP Oil, said yesterday.

The problems in Iran are estimated to have taken about 10 per cent out of world production but the shortfall has been cut to 5 per cent as a result of output from other countries.

BP itself is not taking on any new UK business and has

warned customers that it is setting up a monitoring system to measure their off-take against last year. This is to ensure that if any sharing of supplies is necessary, it can be done on an equitable basis.

It confirmed that it has submitted an application for an across-the-board increase of 21p to 3p per gallon in all prices. Petrol prices could go up by 4p. Any Budget increase plus further OPEC rises could take petrol prices up to £1 a gallon before the year-end.

BP believes that overall demand in the UK for oil pro-

ducts in 1979 will decline by about 2 per cent over 1978, which recorded a similar rise over 1977.

The decline is forecast on the basis of the increased power station coal burned by the Central Electricity Generating Board, and of the expected effect of higher prices on demand.

Mr. Riddell-Webster, speaking in Manchester, said, even with price increases, petrol in Britain would still be the cheapest in Europe and increased prices were now needed to boost profitability so that the search for new energy sources could go on.

Barnett
attacks
U.S. tax
clause

BY MICHAEL LAFFERTY

A STRONG attack on the unitary tax system operated by some states in the U.S. was launched by Mr. Joel Barnett, chief secretary of the Treasury, yesterday when the latest version of the double tax treaties between the U.S. and the UK was published.

The treaty as originally drafted would have banned the unitary system for UK companies operating in states such as California. But this was overturned in the Senate.

Unitary taxation is based on the notion of taxing a proportion of a company's worldwide earnings, rather than its profits in a particular state. The unitary basis is incompatible with the accepted principles recommended by the Organisation for Economic Co-operation and Development of which both our countries are members.

Mr. Barnett said, adding that it was "only with the greatest reluctance" that the UK had accepted the amended treaty.

"Unless the same basic rules for computing taxable profits are generally followed by the main trading countries, we cannot achieve the essential objective of providing a consistent and coherent international tax framework for trade and investment."

The unitary tax basis gave rise to a form of double taxation which often could not be relieved, or was relieved only by states which followed the generally accepted rule bearing an unfair burden of relief.

The British Government had no doubt "both in principle and practice" that the normal arm's length basis of charge for non-resident enterprises was fairer and more certain than the unitary basis. "This is important, not only between our two countries, but also as a possible precedent for third countries."

The revised treaty must now be ratified by the U.S. Senate. Then it will go before the House of Commons for approval.

Manufacturers
demand 5%
food price rise

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A 5 PER CENT increase in food prices and an end to the supermarket price war was called for yesterday by food manufacturers.

Mr. Derrick Hornby, president of the Food Manufacturers Federation, told delegates at the federation's annual conference in London yesterday that food manufacturers could no longer afford to finance the fierce price competition of the past 18 months between the big supermarket chains.

"I must say frankly to our retailer friends, that manufacturers cannot afford any longer to finance their price war," Mr. Hornby said. "If retailers continue to press for large discounts from manufacturers, some manufacturing firms will go out of business or be taken over."

He made clear that the theme of the conference—"food in the balance"—was directly relevant to food manufacturers' present problems.

They faced pressure from rising raw material costs—especially because of the EEC Common Agricultural Policy. They were also unable to pass

on higher costs to retailers because of the price war.

Food prices needed to rise by about 5 per cent to restore manufacturers' profit margins and enable them to remain in business in the long term.

The profitability of UK food manufacturers had been depressed throughout the 1970s due to "economic, political and social pressures that stem from Government interference and the aspirations of consumers and employees."

"Government action continues to erode our profits, and to divert us from our proper task of keeping our industry efficient. On the labour front, besides demands for higher wages, we have suffered recently from serious industrial disputes."

One of the food manufacturers' main problems outlined in detail at yesterday's conference was the effect of the EEC's Common Agricultural Policy. Mr. Hornby welcomed the proposed freeze on intervention prices, but wondered if the European Commission had gone far enough in tackling the problem of surpluses.

Tarling
extradited
as bail
hopes fall

BY LISA WOOD

MR. RICHARD TARLING, the former City associate of Mr. Jim Slater, was extradited yesterday to face five charges in Singapore relating to his former chairmanship of Haw Par Brothers International.

The 44-year-old businessman may have to wait at least seven months to stand trial and has few hopes of arranging local sureties for bail, which will probably be set at £45,000.

Speaking from his London home yesterday morning he said: "I was last in Singapore in 1974. I have spent less than three weeks there, and I am in no position to arrange securities."

The bail figure is totally unrealistic. Solicitors for the Singapore Government in this country gave the Home Secretary a written assurance that the terms of bail would be reasonable.

Custody on arrival
"I got a telex from my lawyer in Singapore this morning that the local prosecutor had refused to amend the terms, and so I will be in custody on arrival."

Mr. Tarling's Singapore lawyer has warned that the Singapore High Court may be unable to consider the case before October. His two-and-a-half-year legal battle has already cost more than £100,000.

The charges relate to the group accounts of Haw Par for 1973-78. Originally, his extradition was demanded on additional, and more serious charges than he faces now. But an application for his extradition on these charges was finally turned down after the case went to the Lords.

He now faces relatively light charges which, under British law, would carry a fine, but in Singapore each of the five charges carries a maximum of two years' imprisonment.

Mr. Tarling was escorted to Heathrow Airport by a member of the Metropolitan Police extradition squad and a Singapore policeman.

Findus to seek State
aid for Hull factory

BY RICHARD MOONEY

FINDUS, BRITAIN'S second biggest frozen food company, is to seek Government aid to keep its Hull fish processing factory going.

The company is discussing with the unions involved the possibility of a joint application to the Department of Employment for a temporary employment subsidy, it said yesterday.

If the aid is granted the factory may keep going for at least another year, the company said. If not it may be closed this summer with a loss of more than 270 jobs.

The company's technical director, Mr. Colin Birch, said yesterday: "The company is very conscious of the effects of a factory closure on our employees in Hull and on the

community as a whole and it is hoped that this closure can eventually be averted by the recovery of the fishing industry."

The factory processes wet fish into blocks, fillets and portions. But this work is duplicated at Findus' Grimsby factory where a fuller range of products is processed.

Reduced catches by the British trawler fleet and the resulting higher prices have reduced demand for the company's fish products. The Hull factory has been losing money for some time and last year lost more than £500,000.

If no subsidy is granted the factory will start to be run down from July 2. Closure would be expected by the end of September.

MAIN POINTS OF MONOPOLIES AND MERGERS COMMISSION REPORT... By Andrew Taylor

Lorrho bid for SUITS 'not
against public interest'

THE LONG-AWAITED Monopolies and Mergers Commission report on Lorrho's proposed takeover bid for Scottish and Universal Investments and the likely effects of such an acquisition on the House of Fraser concludes that a bid would not be against the public interest.

The Commission says that although the acquisition of SUITS by Lorrho would give rise to "some risk of detriment to the public interest, the degree of risk would not be sufficiently great for us to find that, on the evidence, the acquisition may be expected to operate against the public interest."

"In reaching this conclusion we have taken into account the fact that the acquisition of SUITS would increase Lorrho's direct shareholding in House of Fraser and the influence which Lorrho is able to exert on House of Fraser."

The Commission says that it accepts that Lorrho has no present intention of bringing about a full merger with the House of Fraser but says that it is concerned "with the effect on the public interest of the increase in shareholding which would result from Lorrho acquiring SUITS and with the increase in the influence which Lorrho would be able to exercise over House of Fraser as a result."

"We conclude that the merger situation in respect of Lorrho and House of Fraser which will be created if the arrangements in contemplation for the merger of Lorrho and SUITS are carried into effect may be expected not to operate against the public interest. This conclusion is confined, as it must be, to the arrangements now in contemplation, which in our judgment would result in Lorrho acquiring ability materially to influence the policy of House of Fraser, not control of that policy."

Merger aim
"Much of the evidence given to us assumed implicitly, or even explicitly, that Lorrho would seek eventually to acquire control of House of Fraser or to promote other mergers involving House of Fraser and Lorrho which would effectively diminish the existing autonomy of House of Fraser."

"If this were to happen a new situation would be created, and we express no view of what the effect on the public interest would then be. In such circumstances a further reference to us could, no doubt, be made."

the companies within the SUITS group would continue to operate much as they do at present.

"Since there would be little scope for rationalisation or integration of their activities with other activities of Lorrho, we do not think that the merger should in these ways have any adverse effects on employment."

The report said Lorrho and SUITS are conglomerate companies, each operating in a number of different fields. Although Lorrho claimed that SUITS' existing interests were all in areas in which Lorrho had some relevant expertise and experience, a merger between Lorrho and SUITS would not lead to any significant increase in market share or in market power in any of the markets in the UK in which either company operates, "nor do we think it would affect trading relations between the companies in any way which would have a significant effect on competition."

The Commission says it has investigated complaints that Lorrho's financial position was over-extended and this might lead to resources which would otherwise be available for use by SUITS in Scotland being diverted for use by Lorrho outside Scotland.

"Lorrho's consolidated balance sheet shows that Lorrho worldwide is a group with large assets and with borrowings that are not unreasonable in total, though problems may occur in ensuring that funds are available to meet liabilities in the countries in which they arise."

"A large proportion of the group's debt is in the UK, where one result of very rapid expansion in recent years is that Lorrho depends heavily on short-term finance and relies on the renewal of these facilities at an adequate level."

"Any increase in remittances of profits from overseas is unlikely to be significant because of exchange control in overseas countries and the financial requirements of Lorrho's overseas businesses, and any relief from this source is likely to be small."

However the report discloses that Lorrho is currently negotiating for a "substantial medium term loan" which it successfully negotiated would materially reduce the group's reliance on short term finance.

In addition, says the report, Lorrho also drew our attention to certain assets in this country and overseas the disposal of which it had in mind for other reasons.

"Such disposals could strengthen the company's UK financial position. Lorrho is confident that in the meantime its liquidity problem can be contained by renewing short-term loans and overdraft facilities and increased reliance on bill finance."

"There might be some adverse effect if funds which SUITS might use for the development and expansion of activity in Scotland were diverted on a significant scale for use elsewhere in the Lorrho group. We think it is Lorrho's policy to use available funds wherever they are needed, so that the possibility of funds generated in Scotland being used elsewhere cannot be excluded."

"But it is also Lorrho's policy to allow its 'regions' substantial autonomy and there is evidence that Lorrho's subsidiaries generally have had access to adequate funds to finance their development."

"After acquisition by Lorrho control of SUITS' funds would not ultimately be in the hands of SUITS to the extent that it is now, but, particularly in view of Lorrho's assurance that it intends to use SUITS as a base for the expansion of Lorrho's business in Scotland, we think that SUITS' experience will not be different from that of other Lorrho subsidiaries."

Assurance
"We do not think therefore that the interests of Scotland are likely to be damaged by diversion of funds. Moreover, we see no reason why acquisition by Lorrho should prevent SUITS from carrying out its intention, of which it told us, of supporting and fostering the development of small new enterprises in Scotland."

"We are not satisfied that the acquisition of SUITS would increase the degree of financial risk to which Lorrho is subject."

The Commission says that it investigated allegations that an acquisition by Lorrho would be "likely to lead either to break-up of SUITS or to significant diversion of resources from SUITS to other parts of the Lorrho group."

"Lorrho emphasised throughout our inquiry that it had no intention if the merger took place, of eliminating SUITS and making its subsidiaries direct



MR. TINY ROWLAND

"A dynamic organisation is very largely the creation of Mr. Rowland... his experience in Africa will be hard to replace, but we do not think the company's prosperity is unduly dependent on him."

is firmly imprinted on the company and influences the entrepreneurial character of its policies."

"We recognise the achievements of Mr. Rowland and we believe that his experience in Africa will be hard to replace, but we do not think that the company's continued prosperity is unduly dependent upon him."

"It is a matter of plain fact that the company has in recent years been involved in controversy and it is impossible to say that it will not be involved in controversy again."

"We have a new bid to acquire SUITS is made it will be for the shareholders of SUITS to decide whether they wish to accept it; but the matters we have considered do not lead us to conclude that the public interest requires that Lorrho should be precluded from acquiring SUITS."

The Commission says that: "Lorrho's argument that SUITS' interests are all in areas in which Lorrho has some relevant experience and expertise appears to us to be true only in rather broad terms, and we doubt therefore whether the claim that the merger would have 'logic' has much substance."

Future role
It however concludes: "There is one respect in which the merger might be of some advantage. The present management of SUITS has hardly yet had the opportunity fully to establish and implement plans for the development of the group, but appears to have done well in the short time during which it has been in office."

"We think, however, that the entrepreneurial drive of Lorrho and its wider industrial and commercial experience together with its expressed commitment to development in Scotland could be of benefit to SUITS, and in the long-term, to the prospects of employment in Scotland."

Lorrho in its evidence to the Commission outlined its views on its future role with regard to the House of Fraser.

In its report of this evidence the Commission says: "Lorrho said that it regarded its holding in the House of Fraser as a long-term investment designed to improve the quality of its earnings and its image in the city."

It had no present intention of increasing its holding beyond the 29.2 per cent which would result from its acquisition of SUITS since, given the relative capitalisation of the two com-

panies, it would be in no position to make an offer for the remaining shares as required by the rules of the Takeover Panel if its holding rose above 30 per cent.

In the longer term, if circumstances changed, it might wish either to dispose of its shareholding or that seemed advantageous at the time or to make an offer for the remaining shares if it were then in a position to do so. In the meantime it had no intention of materially influencing or controlling House of Fraser policy, though it would wish to continue to have two directors on its board and would hope to have a third if and when the remaining Carter Hawley Hale directors resigned.

The Commission says: "Lorrho argued that it had no material influence or control over House of Fraser policy now and would not when its shareholding was increased to 29.2 per cent."

"Ability to exercise influence or control must constitute something more than the power and ability of Lorrho's directors to influence decisions by argument and discussion and Lorrho believed that the other directors of House of Fraser, most of whom had spent their working lives in its employ, were not people who would be readily influenced by the views of a major shareholder."

"Lorrho agreed that in treating House of Fraser as an associated company in its accounts it must, in accordance with the relevant Statement of Standard Accounting Practice (SSAP 1), be 'in a position to exercise a significant influence' over House of Fraser. It argued, however, that this was not the same as ability 'materially to influence' in the context of the Fair Trading Act."

"More than one company could exercise 'significant influence' over a particular company and treat it as an associated company."

"Becoming 'able materially to influence' the policy had, however, under section 65 of the Act, to be understood in the context of companies ceasing to be distinct enterprises."

"The Commission said that otherwise unrelated companies could not therefore materially influence the policy of a third without ceasing to be distinct from it and therefore from each other."

Lorrho, however, argued that the Commission should take into account that there was no evidence of any attempt to exercise material influence or control on

House of Fraser policy since Lorrho acquired its present shareholding. Lorrho said that it had no intention of exercising influence in the future.

This view differed with evidence provided by House of Fraser which says that "Lorrho was able, directly or indirectly, materially to influence, and to exercise a measure of control over, the policy of House of Fraser."

If Lorrho were permitted to acquire a controlling interest in SUITS, Lorrho would be able either immediately, or after a period of time during which changes occurred in the composition of the Board of House of Fraser, to control House of Fraser policy."

Africa assets
House of Fraser considered that Lorrho appeared to be extremely heavily borrowed bearing in mind the high proportion of its assets in Africa and that unfavourable developments there could jeopardise the future of the group as a whole. House of Fraser also drew attention to Lorrho's investment status of a high risk business as reflected in the high rate of yield on its shares at current prices.

House of Fraser apprehended that if Lorrho acquired control of 29 per cent of House of Fraser its management would be subordinate to that of Lorrho and major policy decisions would be taken or influenced by persons lacking adequate experience of the department stores field.

The activities of House of Fraser could be seriously and adversely affected through restrictions on expenditure for its high quality department stores and by the expansion of its activities into wider fields not consistent with its quality image.

House of Fraser feared that in pursuit of a policy of financial stringency Lorrho might not only reduce capital expenditure, but to maximise trading profits might lower the quality of goods retailed and reduce staffing levels, so lowering the stores' present high reputation.

"Such steps could be particularly damaging to Harrods and its other major London stores and to their export trade at present estimated to be worth £40m annually. At the same time Lorrho might wish to close some of the less profitable department stores with consequent loss of employment."

House of Fraser also believed that because Lorrho was involved in controversy at home and abroad closer association with Lorrho would adversely affect Harrods' image overseas.

Key appointments at BL's truck and bus division

By KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

NO KEY appointments have been made by Leyland Vehicles, the truck and bus division of the Bathgate plant in Scotland.

Mr. Ian McKinnon, 32, has been appointed general manager of the medium and light trucks division of Leyland Vehicles, which takes in Bathgate and the non-plants at Scotstoun, Glasgow. Mr. Tony Jordan, 36, the new production director of Bathgate.

Both men have been transferred from Aveling Barford, construction equipment manufacturing company which is selling. Mr. McKinnon is managing director of Aveling Barford and Mr. Jordan production director.

The medium and light trucks division employ 9,000 and is volume end of Leyland vehicles, producing vans, trucks, tractors, diesel engines and other major components. Disputes at Bathgate in 1978 cost 9,000 of the 11,000 trucks made by Leyland Vehicles.

because of industrial disputes. So far this year, however, the plant has been performing well.

Mr. McKinnon, who has a BSc in mechanical engineering from Glasgow University, joined BL from Chrysler's Linwood plant in Scotland six years ago.

He was first "potted" by Mr. David Abell, who was appointed chairman and managing director of Leyland Vehicles three months ago, when they were with Leyland Australia. Mr. Abell later became chief executive of SP Industries, which includes Aveling Barford, and recruited Mr. McKinnon for that company four years ago.

In his new job Mr. McKinnon will report direct to Mr. Abell. Mr. McKinnon succeeds Mr. Frank Andrew, who was recently appointed sales and marketing director for Leyland Vehicles world-wide.

At Aveling Barford, Mr. Jack Smart, formerly deputy managing director of Leyland Vehicles, in his new capacity as chairman will take full operational responsibility.

OTHER APPOINTMENTS

Lord Gibson retires from Pearson Longman

Lord Gibson, who succeeded Lord Cowdray as chairman of Pearson and Son last year, has decided to retire from the chairmanship and from the Board of ARSON LONGMAN, the publishing subsidiary of the Pearson group. Mr. Michael Hare, deputy chairman and chief executive of Pearson and Son, succeeds him as chairman of Pearson Longman.

Mr. Tim Rix, chief executive of Longman Group and John Barrows, managing director of Westminster Press, have been appointed to the Pearson Longman Board.

Mr. James Tyrrell has been appointed managing director of RECORD SHOPS. He was formerly director of finance and administration, EMI Records (UK).

BRITISH ALUMINIUM COMPANY has made the following management changes: Mr. Armstrong and Dr. S. J. I. become members of the management committee from April 1, 1979.

Mr. J. E. Chilcott, continues as commercial director of BA. Dr. Ford will be in his post as managing director of the Primary Aluminium Division and Mr. A. Haggart will be deputy managing director of that division.

Mr. J. Grieve replaces Mr. Gart as manager of West Bland smelters. Mr. J. Kay, respect divisional director and general manager of the company's rolling mill at Falkirk, Strathclyde, has been appointed managing director of the Rolled Products Division at Twickenham.

Mr. Wilson, Mr. A. E. Cornack, sales director of the Rolled Products Division, has been made assistant managing director of that division and responsible for sales. Mr. V. Crew succeeds Mr. Kay.

Mr. Terry Golding, chief executive of the National Exhibition Centre, is now chairman of the EXHIBITION LIAISON COMMITTEE.

Mr. T. D. Davies has been appointed managing director of ITERS (a Hawker Siddeley company), from April 1 to succeed Mr. E. D. Dettmer, who is taking up another position within the group. Mr. Davies will also become chairman of Pelter Power Generation at that date. At the same time, F. H. Wood, chairman of ITERS and a director of Hawker Siddeley Group, is to be chairman of Pelter Refrigration.

Mr. Ian S. Beaton has joined EMICAL BANK INTERNATIONAL as consultant, export finance. He was formerly an assistant director of Baring Brothers and chairman of the Export Finance Committee on Port Finance.

Mr. J. S. Mowatt has resigned a non-executive director of RISTY BROTHERS because of pressure from other business commitments.

The offer by Brown and Berke Group for CHAMBERLAIN GROUP has become unconditional and Mr. Henry D. Arpe Jr. and Mr. Donald A. Arpe join the Board of Chamberlain. Mr. Sharpe is chairman and chief executive officer and Mr. Roach, president and chief operating officer of Brown and Berke Manufacturing Company Rhode Island, U.S.

Dr. G. F. Moore has been appointed executive director of ICC RESEARCH AND ENGINEERING.

Mr. W. Papworth has been appointed group director in charge of corporate planning for WC, the meat group which includes the Harris subsidiary. Mr. C. G. Absolon takes on the new post of Manpower Services addition to his group directorship of Management Services, with report to Mr. G. E. E.

Mr. Martin Everitt has been appointed director of manufacturing for STIMPLEX.

MECHANICAL HANDLING COMPANY

Dr. G. S. Hislop has been elected chairman and Dr. P. A. Allaway, vice-chairman, of the COUNCIL OF ENGINEERING INSTITUTIONS for 1979-80. Dr. Hislop, a former executive vice-chairman of Westland Aircraft, is chairman of the Aircraft Research Association. Dr. Allaway is chairman of EMI Electronics.

Mr. Michael J. Richardson and Mr. Peter C. Warman have been appointed joint managing directors of the BRITISH CAR AUCTION GROUP. Mr. Andrew Bulme, director of the branch at Brighton, Yorkshire, is now also responsible for management of branches at Blackpool and Manchester, with Mr. Malcolm Riley and Mr. Steven Langley continuing as directors, respectively.

Mr. John E. Coker has been appointed a director of FUSIBLE INTERLININGS, a member of the Whitecroft group.

Mr. M. R. Cornwall-Jones has been appointed to the Board of ECCLESIASTICAL INSURANCE OFFICE. Mr. Cornwall-Jones is joint managing director of John Govett and Co.

Mr. Bernard Keay and Mr. Ronald Willmott have been appointed directors of LAS CARGO AIRLINES, which claims to be Britain's largest all-cargo airline.

Mr. Reginald R. Jeune has succeeded Mr. Philip Keens as chairman of the TSB TRUST COMPANY. Mr. Keens continues as a director of TSB Trust Managers (Channel Islands) and other subsidiaries of the TSB Trust Company. Mr. Jeune is a Senator of the States of Jersey and is also chairman of the TSB of the Channel Islands.

Mr. Robin Howard has been elected president of the TIMBER TRADE FEDERATION. He is chairman of W. W. Howard Bros. (Investments). Mr. C. S. Cotterell, a director of Machin and Kingsley, becomes vice-president of the federation.

Mr. S. E. Vedlitz has been appointed director, retail marketing, for CONOCO, responsible for the Jet filling stations.

Mr. John Bush has become managing director of JOHN WILLMOTT GROUP. The appointment follows the division of responsibilities held by Mr. Ian Dixon, who has been chairman and managing director of John Willmott Group in addition to being managing director of John Willmott Holdings.

Following the resignation of Mr. Peter Brown as managing director of BROWN KNIGHT AND TRUSCOFF, the company chairman, Mr. G. A. Gardner, takes over as chief executive. Mr. C. R. Dent, technical director, has been appointed general manager (print) at Tonbridge and Mr. E. H. Rumbold, sales director, will also act as London manager.

Mr. Martin Clark, Snodice director of SIMON-VK, has been additionally appointed company secretary. Mr. Ken Wheeler has been made sales director and Mr. David Powell sales manager for converter products. The company is a member of the Simon Engineering group.

Three appointments have been made to the Board of the newly-formed Superstores Division of INTERNATIONAL STORES under Mr. Bob Muir, the division's chief executive. Mr. Richard Pym is finance director, Mr. Jeff Rhodes, marketing director, and Mr. Jim McKenna, non-food director. Headquarters for the new division will be at new offices on the Westgate Industrial Estate, Northampton.

Mr. Derrick A. Johnson has been appointed to the board of CLARKE SECURITIES. He has been managing director of the group's housing since 1975.

Building society rates 'likely to stand'

By Eamonn Fingleton

AN EARLY cut in building society interest rates was ruled out yesterday by a leader of the movement.

Sir Raymond Potter, chairman of the Halifax, said that despite the big fall in interest rates in the last month, building societies are likely to maintain their present rates — 8 per cent for savers, 11 per cent for borrowers — for the "foreseeable future."

A "prolonged and definite" reduction in interest rates generally was needed before building societies could cut their rates.

Announcing the society's results for the year to January 31, Sir Raymond said the Halifax is budgeting for an increase of 10 per cent in mortgage lending this year. The society's mortgage advances totalled £1,648.8m, compared with £1,327.8m the previous year.

The society's total assets increased by 16.5 per cent to £7,603m. Total reserves increased by £6.0m to £220.4m.

Sasse loss legal row spreads

By JOHN MOORE

A MAJOR international legal battle is now developing over the events which have led to the Lloyd's of London underwriting syndicate of Mr. Frederick Sasse facing losses of £13.6m.

Brentnall Beard, the Lloyd's insurance broker which placed with the syndicate U.S. fire insurances on which the Sasse members sustained £8m of losses, has taken legal action against Mr. Dennis

Harrison of Florida, members of his family, and Mr. Richard Mamarella, trustees of Mr. Harrison's company, Den-Bar Underwriters.

Mr. Harrison and his company had been authorised by the Sasse syndicate to accept business on its behalf. The negotiations for this arrangement had been carried out by Brentnall Beard which also had a 20 per cent interest in Den-Bar Underwriters.

Brentnall has alleged that amounts of \$660,000 of premium have been misappropriated by Mr. Harrison and others from Den-Bar.

Money amounting to \$301,116 which was deposited in the First Curacao International Bank is alleged to have been the property of Brentnall Beard. Other amounts of \$358,100 which are alleged should have been paid over to Brentnall have been spent on property, the

purchase of an interest in Auntie Flora's Health Food Store in Florida, the purchase of an interest in Piccadilly Records, Florida, and the purchase of interest in L'Elegante Haute Couture, Florida. Mr. Harrison and the others named in the allegation have not yet responded.

Lloyd's own inquiry into the affairs of Brentnall Beard is not yet completed.

Poll shows ignorance of EEC election

By Colleen Toomey

MORE THAN half the people questioned in an opinion poll were oblivious to the fact that direct elections to the European Parliament would be held this year. Two per cent said elections had already taken place between 1971 and 1976, 11 per cent said they would be held next year and 30 per cent said the elections would take place this year.

Nearly half the people questioned in the poll, carried out by Survey Research Associates and broadcast by Yorkshire Television last night, strongly opposed Europe being ruled by one government with powers over the British Government. A further 32 per cent were also against the idea, but less strongly so.

The poll showed that while Britain has been in the Common Market for more than five years, acceptance has been slow. More than half the 1,054 people interviewed in 51 constituencies opposed Common Market membership. But even if those questioned thought membership was a bad thing, 48 per cent said that Britain should now remain in the EEC—44 per cent were in favour of leaving the Community.

Navy given go-ahead for Crimond

By DAVID FISLOCK, SCIENCE EDITOR

THE NAVY has been given the go-ahead to continue development of its new communications centre at Crimond in Scotland.

The Health and Safety Executive approved further work after an important investigation, begun last summer.

Development was stopped in the belief that Navy high-frequency transmissions might endanger the St. Fergus natural gas terminal near Crimond.

Safety inspectors had feared that high-power radio beams might induce electric currents in large metal structures at St. Fergus, with the risk of sparks. The problem structure included mobile cranes, pipework and storage tanks, at a site shared by the terminal facilities of three North Sea operators—British Gas, Shell and Total.

But a report published yesterday finds that the inspectors last summer had over-estimated the risk by a factor of nearly 1,000 in terms of the amount of electrical energy which might be induced by Crimond when transmitting at its full design strength.

The Navy began transmitting last year at very low frequency, which causes no problem because the wavelength are so much greater than the size of the

St. Fergus structures, and no electrical energy is induced.

But a steering committee convened by the Health and Safety Executive and headed by Mr. Alan Hall, a senior factory inspector, proposes that further measurements should be made at the Shell site at St. Fergus, as new structures for handling and processing "wet" gas are completed, and as the Navy builds up its transmitting power.

Report of the Steering Committee on radio frequency ignition hazards at St. Fergus, Scotland, Health and Safety Executive, Baynards House, Chesterton Place, London W2 4TF; £1.50.

indicate that, at worst, it will induce 1W at 50 volts peak.

But a steering committee convened by the Health and Safety Executive and headed by Mr. Alan Hall, a senior factory inspector, proposes that further measurements should be made at the Shell site at St. Fergus, as new structures for handling and processing "wet" gas are completed, and as the Navy builds up its transmitting power.

Report of the Steering Committee on radio frequency ignition hazards at St. Fergus, Scotland, Health and Safety Executive, Baynards House, Chesterton Place, London W2 4TF; £1.50.

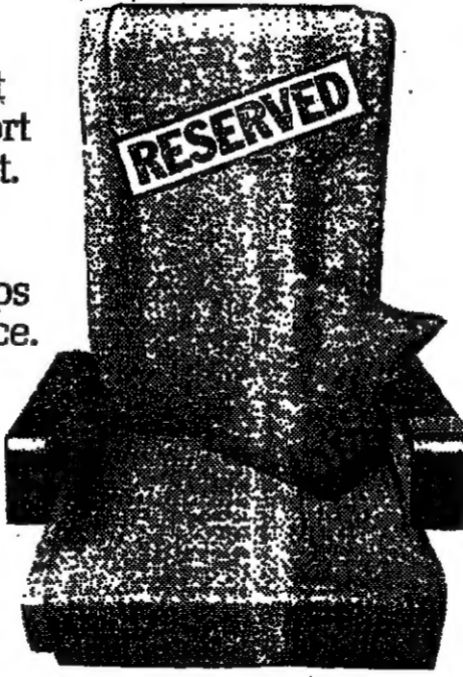
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UK NEWS

WILSON COMMITTEE REPORT ON FINANCIAL INSTITUTIONS

'Not enough help for small companies'

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

AN ENGLISH Development Agency for small firms should be set up by the Government and special arrangements should be introduced to help small businessmen raise equity and bank loans according to a report by the Wilson Committee on Financial Institutions published yesterday.

The report, which was produced at the request of the Government as an interim study on small firms in advance of the main Wilson Report, also criticises clearing banks for their approach to small firms.

"It is impossible entirely to discount the criticisms of the banks contained in the evidence we have received," says the committee. It believes the banks could be biased in their assessment of risk in the sense that they would exercise "excessive caution" with small firms, especially with customers who had no personal capital.

For this reason the report comes down in favour of a State-backed guarantee scheme for bank loans being set up on an experimental basis as quickly as possible.

The arrangements proposed to help small firms raise equity include the creation of a new type of financial institution called a small firm investment company (SFIC) whose shares would carry specific but limited personal taxation relief.

The proposed English Development Agency would be set up as a first step towards a possible full-scale Small Business Agency. It would have some powers and functions similar to those of both the Welsh and Scottish Development Agencies and the Council for Small Industries in Rural Areas (COSIRA).

These are the three main recommendations out of a total of 20 put forward in the report which concludes: "We are bound to point out that most of those giving evidence to us believe the most important influence on the successful operation of small firms to be the general economic and fiscal environment in which they operate."

Proposals

The committee received a large number of proposals for taxation changes and passed these on to Government departments. But it has made no general recommendations itself on taxation. "The objectives of the fiscal system are a political question and any judgment about them will therefore be political. We, like any other mixed group, do not agree about politics," says the committee.

Some members of the committee, which includes representatives of the TUC, CBI, financial institutions and other interests, believe that tax cuts

"Small businesses seeking new injections of equity face difficulties in finding appropriate sources, and even where they are successful, may have to concede less favourable terms than their larger counterparts. This reflects the limited number of potential investors, the relative illiquidity of their shares and the high risk attached to any single investment in a small business."

are essential because of the over-riding importance of small firms for increased investment, innovation, growth and employment. Others do not believe that taxation reforms are the best means of achieving the overall goals, says the report.

But the Committee does agree that specific fiscal measures are needed to stimulate the flow of equity investment to small businesses from external sources. "We are agreed that the most effective way of securing this more limited objective is likely to be by specific reliefs rather than by across-the-board cuts in personal taxation."

It is against this background that the committee recommends the creation of the new type of institution called the small firm investment company (SFIC) which in form would be similar to an investment trust. It says that steps should be taken to promote this by "the removal of the present fiscal and other constraints on the spontaneous development of such a medium."

Specific limited relief of personal taxation should also be given for the purchase of SFIC shares.

"Small businesses seeking new injections of equity face difficulties in finding appropriate sources and, even where they are successful, may have to concede less favourable terms than their larger counterparts," says the report. "This reflects the limited number of potential investors, the relative illiquidity of their shares, and the high risk attached to any single investment in a small business."

"The terms on which it is offered frequently deter proprietors of small businesses from accepting further equity finance even where it is available. The consequence is either that expansion is inhibited or that it is financed by loans in cases where equity would be more appropriate."

Creation of SFICs would therefore help promote an increase in the number of intermediaries specialising in investment in unlisted companies, says the report. The SFIC would provide a facility for investors generally. Its capital would be fixed and it would have borrowing powers as well as being obliged to pay out the bulk of its income to its shareholders.

"But it would be fiscally neutral to the extent that capital gains (if applicable) would be levied only when the shareholder in the fund dis-

posed of his shares. Moreover, far from there being any limit on holdings in unlisted shares, an SFIC's objective would be to construct a portfolio of such shares. Quoted shares would be held only as a result of a quotation being granted for shares already held."

To help cope with the problem of marketing the equity of small businesses, the report also recommends an innovation to ease dealings in unlisted shares on the "over the counter" (OTC) market. It says that the department of Trade, together with the Treasury and other departments, should consider how best to promote the facilities of such markets and remove constraints preventing their development.

These departments should also re-examine the case for changing the law to allow small companies to raise equity in a redeemable form. Other ways of allowing proprietors of small companies to raise outside capital without risking losing their overall control should also be studied.

Prosperity

"Outside investors could then be given some stake in the future prosperity of the company in return for the risk they take in helping to finance it, until the point is reached where funds generated in the business can be utilised by the company to pay them off," says the report.

On the issue of clearing bank loans the report recommends that "a publicly underwritten loan guarantee scheme, with a limited subsidy element and some part of the risk retained by the banks, should be set up on an experimental basis as soon as possible."

It admits that the argument for a publicly underwritten scheme would be stronger if the case for generally subsidising small firms was accepted. However, the report rules this out as an approach out of its introductory chapter by saying that the committee does "not necessarily accept" the case for "special treatment of small firms of a discriminatory kind."

Nevertheless it backs the Government underwriting a loan guarantee scheme as a "relatively cost effective way of making use of whatever resources were available for this purpose."

In a thinly veiled criticism of current Government attempts to persuade the clearing banks to mount a guarantee scheme on their own, the report says:

"Each of the clearers is already large enough to provide its own insurance by pooling its risks internally, and it seems unlikely that sharing the risk on even a large scale would cause them to take different decisions either about the viability of particular projects or the levels of security they require."

"Indeed persuading them to accept a scheme against their judgment might even have perverse results. The referral of existing marginal cases to another body for a second opinion could have the effect of increasing the proportion rejected, while the costs of operating the scheme might increase the average cost of small business borrowing overall."

For these reasons, the committee says that if there is to be a scheme, it should be "underwritten by the public sector in some way."

The report bases its criticisms of the clearing banks partly on research the committee commissioned in the Nottingham area. This showed that one-fifth of the manufacturing businesses in the survey, and one-quarter of those with overdrafts, complained about the "excessive level of security demanded by their banks."

Nearly one-third of the respondents complained about what they regarded as an "unreasonable degree of caution about the level of their overdraft." A number also criticised the variability of responses they received from different banks.

Backing for public ownership

BY TIM DICKSON

PUBLIC ownership could play an important part in the transformation of relations between the financial and industrial sectors in the UK, the Labour Party's National Executive Committee says in its second submission to the Wilson Committee.

"The financial sector has come to be dominated by a small number of institutions representing a vast concentration of power which has no corresponding validity," it says.

The NEC's latest statement both repeats its commitment to public ownership and replies to subsequent criticisms of its earlier arguments.

Consultations with trade unions in institutions likely to be affected are still taking place and proposals for individual

or from different branches of the same bank.

"On balance we are left with the impression that there are still deficiencies in the present arrangements," says the report.

"We are not as confident as they (the banks), themselves appear to be that the number of viable enterprises denied access to sufficient funds is insignificant, particularly where new businesses or significant new initiatives are concerned."

The proposal for the creation of an English Development Agency for Small Firms stems from the committee's consideration of whether there should be an American-style Small Business Administration in the UK.

The report points out that such an independent agency could be linked to a Government Department in the same way as the Manpower Services Commission relates to the Employment Department. It could be made responsible both for a bank loan guarantee scheme and for improving statistics about small firms. It could also take over work done by the Industry Department's small firms' division.

But the committee shies away, partly on grounds of cost, from firmly recommending that such an agency should be set up. It says it will return to the subject when it publishes its final overall report on financial institutions.

In the meantime it recommends the creation of the English Development Agency for small firms with financial powers and objectives similar to those of the small firms' divisions of the Welsh and Scottish Development Agencies. This would mean that the agency could provide equity as well as loans to small firms.

The report also recommends that, as a first step, COSIRA should also be given power to advance equity and that its scope should be enlarged to include retailing, as well as manufacturing firms. Ultimately, COSIRA could be absorbed into the English Agency which would then cover both urban and rural areas.

The report also says the Government should re-examine its financing of "enterprise workshops" through the Manpower Services Commission to ensure that sufficient funds are made available to potentially successful businesses. It also backs "properly conceived small-scale" worker co-operatives as having a "potentially useful" role in the economy.

The Department of Industry is also recommended to consider helping small firms by lowering the financial thresholds of its industrial support schemes and by setting up a special statistical unit. The Export Credits Guarantee Department is asked to review its "general responsiveness" to the needs of small businesses. Banks should make sure their ECGD policies are understood by their branches and the National Research Development Corporation should review its procedures and ensure information about its services is widely disseminated.

Co-operation between small firms and both large companies and educational establishments should be increased and further help should be provided by accountancy bodies and by financial institutions to ensure their facilities are understood.

The Financing of Small Firms. Interim Report of the Committee to Review the Functioning of Financial Institutions. SO. Price £1.75.

will be needed "if we are to double our annual rate of manufacturing investment."

On institutional lending to industry the NEC argues that "alternative social criteria" should be developed which in the long run "would ensure the greatest real return in terms of new wealth created."

The NEC repeats its attack on the concentration of financial power in the hands of the Big Four clearing banks and claims that the London clearing banks control 70 per cent of sterling deposits of banks in the UK or 61 per cent if overseas banks are included.

The NEC attacks the size of banking sector profits and the failure to provide adequate information on the provision for bad debts.

Shell and ICI polypropylene pricing criticised

BY SUE CAMERON, CHEMICALS CORRESPONDENT

IMPERIAL Chemical Industries and Shell have been criticised by the British Polyolefin Textiles Association for their polypropylene pricing policies.

The association, which represents the major British weavers and extruders of polypropylene, said the polymer was now more expensive in the UK than in either the U.S. or the Continent. It claimed price increases by ICI and Shell—the two chief UK suppliers of polypropylene—had put its members at a disadvantage compared with their foreign competitors.

The association said ICI and Shell had given "insufficient warning" to customers in the polyolefin textile industry before putting up their polypropylene prices by about 30 per cent last month. It added that Shell and ICI were understood to have made "urgent claims for even higher prices" to the Price Commission.

"This course of pricing is seriously open to question, even allowing for problems in the

international oil market," the association said.

"It seems to us precipitate on all the evidence available. We see no reason why our industry should suffer more price disadvantage, over and above the increases imposed earlier this year, at least until continental prices are in line with those in the UK."

"We urge ICI and Shell not to seek premium prices for their UK sales. Such a policy would affect their polymer market. Excessive price levels will press hard on users in the home market. It will reduce our own industry's export competitiveness and, in sensitive areas, will cause us to be unfairly hit by low-cost imports."

The association added that its members had accepted the need for substantial increases in polypropylene prices made last month by ICI and Shell. But it said it would oppose any attempt by either company to put prices up again at the beginning of next month.

Post Office consumer body 'lacks expertise'

BY JOHN LLOYD

A STRONG attack was made yesterday on the Post Office Users National Council—the oldest nationalised industries' consumer council—by the independent Mail Users Association.

In evidence to the Select Committee on Nationalised Industries, the MUA says POUNC's record "does not inspire confidence for the bigger problems of the future."

The association claims that POUNC comes to life "mostly when the Post Office Board presents proposals to it" and that, as it is wholly funded by the Government and its members are appointed at the discretion of the Industry Secretary, it is a "burglar-appointed watchdog."

It argues that POUNC has not understood the overseas mail service, the "most complex area of the postal business," lacks the financial expertise to analyse the postal mechanisation scheme and has not cast a sufficiently critical eye over the telecommunications modernisation scheme.

"Even a glance at the figures in the Post Office's annual re-

port and accounts reveals... that telecommunications has been overcharging for its services in the short term."

The MUA recommended that POUNC should contain "a nucleus of informed professionals" and at least one representative of a large postal and telecommunications user.

It also suggested that organisations nominating POUNC representatives should help finance it and that a "user audit" should be introduced. In the form of a statement appended to the annual report which would certify—with qualifications where appropriate—"that the industry had met its obligations to users."

Rewarding task

MR. HUGH McCALLION, managing director of Photo-Fabrics, a metal components factory at St. Neots, Cambridgeshire, is giving 24 workers a four-day holiday in Paris next week for reaching a vital export production target last October.

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For more information about the Job Release Scheme ring Eileen Tingey on 01-214 6403 or 01-214 6684 for more information.

Job Release Scheme

Department of Employment DE

Barclays 1978

Satisfactory profits, but inflation rate still far too high for comfort.

The Annual General Meeting of Barclays Bank Limited will be held in London on April 11, 1979. The following are extracts from the address to the Stockholders by the Chairman, Mr Anthony Tuke, for the year 1978.

Our pre-tax profits for 1978, at £373m, can be regarded as satisfactory not least because those of us who deal in money must at all times keep an eye on the rate at which our currency is depreciating. I referred to this in last year's Report as a formidable problem and although our inflation rate in this country is lower than it was a year or two ago, it is still far too high for comfort and especially when compared with some of our competitors.

Quite simply, if as a company our assets and liabilities show a rise of, say, 10% in a year during which the rate of inflation has reached 12%, we delude ourselves if we imagine our business has expanded. Naturally the same argument applies to our profits. Looked at in this light, and taking 1973 as a base – an appropriate year in the light of the fourfold increase in oil prices and later on the double digit inflation – we have done a little better than par, but not much better. Since the end of 1973, our profits and retentions have almost exactly doubled but so too have prices and wages. This is a sobering thought which we ignore at our peril.

It is interesting also to note where the increase in our 1978 profits came from: a little came from the international side, which would have been more if the pound/dollar rate had remained stable during the year; the Clearing Bank increased its profits due to a variety of factors, including higher than expected interest rates and more buoyant current account balances; and there were better results from Mercantile Credit and Barclaycard. But the prime reason was a much lower charge to profits for bad and doubtful debt provisions reflecting improved lending experience. This illustrates that in a volatile political, economic and monetary environment, the incidence of provisions and interest which has been suspended is of great importance from year to year and has had a marked effect on this year's figures.

Provisions

Turning to another aspect of provisions, Stockholders will for the first time see that in 1978 we wrote off as bad approximately £58m. This is a substantial figure, but one must bear in mind the timing of write-offs. In previous years, our policy has been to raise a provision when the debt appeared in whole or in part irrecoverable and we have left the actual write-off until the corpse was well and truly buried. This year we have decided to follow the practice in the United States whereby a debt which is thought to be bad, and therefore subject to a provision, is written-off wholly or in part straight away. The future naturally is uncertain and that part not written-off may also ultimately have to receive similar treatment. An obvious result of this is that we have had to catch up and a part of this year's write-off relates to provisions made in some cases up to ten years ago.

To get a realistic picture of a bank's bad debt experience, one should take a ten-year view and it may be of interest to Stockholders to know that in the Group as a whole, encompassing branches and subsidiaries throughout the world, we wrote off an average of about £18m per annum during the decade 1968-1977. Our provisions, including both specific and general, amount in total to £400m – or, put another way, 2.3% of all the money lent on the 31st December, 1978. This figure can I think be regarded as acceptable, covering as it does some of the most difficult years in the field of lending money that any of us can remember. We do, however, certainly hope to see a reduction in this percentage in the future; but any prudent banker, especially one who is trading in a large number of countries in an unsettled world, should err on the side of caution. The Boy Scouts' motto is by no means out of place in international banking.

Wages in Cash

The major issues of international monetary policy are rightly matters of concern to us; but most bankers are dealing with day-to-day problems and cash transactions form a major part of our business. Stockholders therefore may be interested to learn that the Bank spent £3m last year in transporting cash to and from our United Kingdom branches. Another £2½m went on running our bullion centres up and down the country and, in addition, the loss of interest caused by holding notes and coin was substantial. Once inside our branches, transactions involving cash are the most expensive that we deal with. Cash handling, therefore, is not only an unsatisfactory use of resources from the Bank's point of view but so also is it for our customers and for the country.

In addition it is dangerous: in 1978 security companies were subjected to 169 armed raids on their bullion vans and four people were killed during these attacks. I hope therefore that we may be moving towards a system whereby wages are paid not in cash but through the banking system. This is neither a new nor revolutionary proposal; indeed, exactly twenty years ago in our Annual Report, the importance of promoting the banking habit amongst all employees with payments on a monthly basis was raised.

Yet today, almost a generation later, we in Britain are still far behind what is happening in many countries of the world: 59% of our working population receive their wages in cash and nearly all of these are paid weekly; however, only 5% of German and 1% of American workers are paid in this way. In France a Government programme has led to only 5% of employees being paid weekly and in cash and in both Australia and Canada the proportions are similar. Why are we behind other countries in what is obviously a safer and more modern way of paying people? For a Clearing Bank to advocate increased official intervention may be uncharacteristic, but it seems to me that an essential lead has to come from government for whom there are powerful arguments to encourage a move from weekly cash to monthly bank transfer. The existence of a two-payment system is said to be socially divisive; the move from cash encourages thrift and financial responsibility.

One positive step the authorities could take would be to allow the cost savings resulting from changed payment methods to be re-distributed to employees under any incomes policy. It might also be appropriate to bring manual and non-manual workers under the same legislation. Employers can and frequently have taken the initiative in

their own companies; however, many seem not to appreciate fully the true cost of payment systems involving cash which can be as high as £25 per employee per annum. To make monthly payments acceptable to employees and Trades Unions, particular attention has to be paid to the day of the month when the monthly payment replaces weekly ones and an element of phasing in over a period may be necessary.

In continental Europe, Trades Unions have seen changed payment methods as a means of improving the status of their members and an opportunity to negotiate uniform conditions of service, rather than as a threat to established practices. The banks have a vested interest too, and they also have a duty to provide the wage and salary earner with a means of getting hold of cash when he needs it. We shall benefit from the opening of more accounts and the likelihood that monthly payments will involve larger balances. But our existing hours of opening are inadequate to serve the needs of many of our new customers, particularly during the transitional period, and I hope we shall find means of extending these hours. As an alternative we must provide an adequate number of machines which will produce cash for 24 hours of the day, through the new magnetically encoded plastic card technology which we call Barclaybank.

Barclaycard

A change in the method of paying wages, including the use of these plastic cards, naturally leads to a progress report on the existing Barclaycard, our original plastic card which was launched as long ago as 1966, since when it has come a long way. Initially cards were seen as a novel means of making credit available to a number of our customers and later of guaranteeing their cheques. From the outset, however, we hoped to see them used as a simple method of settling debts and this is increasingly what is happening. We favour this development because plastic cards are a convenient means of moving into electronic transmission of funds and will eventually, we hope, come to be used by everyone as a cheaper alternative to cheques and cash.

A lot of time and money is rightly being spent on research and development of technology in this field and we aim to build on the foundation which has been laid so successfully by Barclaycard.

In 1966 a general bank credit card was a totally new concept in Europe and, as with any new venture, there were considerable risks and we were subjected to a measure of criticism at the time. These risks were reflected in the fact that, during the first few years of its existence, our losses averaged something like £1m a year. More recently the situation has changed dramatically and Barclaycard now earns significant profits for us, due in part to operational efficiency, but also to the increasing volume of transactions handled and of the credit extended. In 1972 we reported to Stockholders that we had two million account holders and 61,000 merchant outlets; now, six years later, we have 4.3m cardholders and 117,000 merchant outlets and it is particularly satisfactory that the numbers of men and women working for Barclaycard, mainly in Northampton, have only marginally increased in number during this period of rapid expansion.

Drawing up a profit and loss account for Barclaycard is like walking through an accounting minefield, since the figures depend on a host of factors which can be adjusted by the parent Bank through internal transfer pricing arrangements, but we try to assess Barclaycard as nearly as possible as though it were an independent business and with its own capital base. On this fairly severe measurement the profit from Barclaycard, pre-tax, comfortably exceeded £10m this year – a satisfactory figure even for a business with a turnover in excess of £800m and outstanding balances of over £300m.

It is sometimes said that credit cards encourage overspending and lead the unwary into greater debt than they can afford to repay. This has not been our experience; as turnover has grown, the percentage of bad debts to total lendings has steadily fallen – from 1.3% in 1975 to 0.45% in 1978 – by no means an unacceptable figure for unsecured personal lending. We watch the overall position very carefully and try to do the same for each cardholder, matching credit limits with ability to repay as well as to the customer's wishes, and we find that the great majority act with responsibility and commonsense when they borrow.

The progress of Barclaycard during the last ten years or so has, we believe, justified our decision to launch it in 1966. It has already developed in a number of ways but most of us feel that the major development is still to come and that it will play a very important part in retail banking during the next ten years.

Staff

Our staff are now working in many countries and, whether they are Stockholders or not, they are conscious of belonging to Barclays. In London, we like to think we can do something to reinforce a spirit of membership of the Barclays Group with a common interest and friendship wherever they may meet. Those of us who travel around the world have this very much in mind and certainly we shall do what we can to see to it that there are opportunities for as many people as possible to visit us here in London.

Stockholders are, I know, fully aware that the prosperity of the Bank will always depend on the excellent service which our staff continue to provide and seek to improve.

Anthony Tuke

Anthony Tuke, Chairman of Barclays Bank Limited.

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UK NEWS — PARLIAMENT and POLITICS

Hospital volunteers approved

BY IVOR OWEN

AREA HEALTH authorities faced with disruptive action by NUPE militants were urged by Mr. David Ennals, the Social Services Secretary, in the Commons last night to call for volunteers to keep essential hospital services going.

His significantly tougher line of the action that should be taken to safeguard the interests of patients was immediately welcomed by Mr. Patrick Jenkin, the Shadow Social Services Secretary.

Mr. Ennals, only recently discharged from Westminster hospital himself, emphasised that the decision to call in volunteers must be left with local management.

He stopped short of saying that pay should be withheld from staff who do not carry out all their duties.

He told the House: "No-one can expect nurses, administrators and doctors to continue to struggle to keep services going while those who turn up to work can take disruptive action and be paid fully for doing so."

Mr. Timothy Raison (C, Aylesbury) asked if the Minister was suggesting to area health authorities that those who did only part of their job and persisted in taking industrial action should be sent home and told they would not be paid.

Mr. Ennals replied: "What

"We regard it as essential that the vocational nature of nursing should not be undervalued in financial terms" — Halsbury Report.

action management actually takes is the responsibility of management itself."

He underlined his readiness to encourage the use of volunteers after expressing concern over the serious escalation in the past 48 hours of industrial action being taken in some areas by hospital ancillary workers and ambulance men.

"I have told health authorities facing severe industrial action that they may now invite members of the public to work as volunteers in the National Health Service if this is the only way of keeping essential services going."

But Mr. Ennals pointed out that volunteers should await the call to help particular hospitals. If they were to turn up uninvited in large numbers no useful purpose would be served.

Mr. Jenkins maintained that the tougher approach now being taken by the Minister should have been adopted at a much earlier stage.

He condemned the "lamentable feebleness" which Mr. Ennals had shown in the earlier stages of the dispute.

Opening the debate, with a number of nurses listening from the public gallery, Mr. Willie Hamilton (Lab., Fife Central) accused the Government of a complete lack of imagination and generosity in dealing with pay rates for nurses.

The Manifesto Group of the Parliamentary Labour Party had drawn up a document on Wednesday condemning the Government offer of 9 per cent plus £1 a week in advance of a comparability study for nurses.

In these troubled industrial times when military, bloody-mindedness and sheer largeness of muscle seem to count for more than anything else, the nursing profession has been unwilling to be blood-mixed or to strike and has shrunk from using whatever industrial muscle it might have."

Mr. Hamilton said Mr. Ennals should have a framed copy of a quote from the Halsbury Report on his desk.

It said: "We regard it as essential that the vocational nature of the job should not lead to undervaluation in financial terms."

Many people failed to recognise that the present nurses' negotiations and that Mr. Ennals had been in possession of that document since the late summer of 1978.

Mr. Laurie Pavitt (Lab., Brent S.) urged the Government to come up with a permanent solution for nurses pay.

"I hope we will never again have to have a similar debate where we sit here feeling ashamed of our own exploitation of nurses."

Mr. Jeck Stallard (Lab., St. Pancras N.) called for cross-regional funding which would benefit hospitals such as the Elizabeth Garrett Anderson hospital run by women for women. Many patients came from outside the hospital's area and it was disgraceful that it was threatened with closure.

The nurses' vigil outside the House of Commons in a bid for higher pay was praised by Commons Leader Michael Foot yesterday.

He agreed with a Tory backbencher about the "dignified way" the nurses had put their case, and said the Government was well aware of the strength of their case. He made his comments after Admiral Morgan-Giles (C, Winchester) referred to the "silent and dignified" vigil.

Callaghan makes political capital

BY PHILIP RAWSTORNE

PRICES may be rising and production down, but Mr. James Callaghan made some more political capital in the Commons yesterday.

After the recent slump in his stock, the Prime Minister continued his successful foray into the Commons Market to pick up a few more points.

Mrs. Margaret Thatcher had attacked him for his "abrasive" defence of British interests in Paris, he agreed regrettably with Mr. William Molloy (Lab. Ealing N.).

Fierce views

Yet the Tory trade spokesman, Mr. John Nott, had echoed the Government's views in even fiercer language shortly afterwards, said Mr. Callaghan.

So too had Mr. Finn Gundelach, the EEC agriculture commissioner—who the Prime Minister on short acquaintance, called Mr. Finkelach.

The Tory leader did have problems, Mr. Callaghan added consolingly amid the Labour laughter.

No doubt Mr. Nott would have to retract—particularly since he understood that Mr. Edward Heath, the former Prime Minister, had been on the air supporting the Thatcher line.

"My advice to Mr. Heath is that he must not allow nostalgia for the past to overcome the facts of the present," said Mr. Callaghan.

Dracula

Mr. Neil Kinnock (Lab., Bedfordshire) suggested that for Mrs. Thatcher to accuse anyone of being abusive was like Count Dracula expressing a distaste for blood.

But the Prime Minister appeared satisfied that he had drawn enough out of the Tory front bench.

A lot of people, he observed mildly, appeared to have been moved by the sheer logic of his Paris statement and the forceful and overwhelming persuasion which it carried.

Mrs. Thatcher got up and abruptly changed the subject. Had the Cabinet decided to lay the devolution repeal orders and when would the Commons vote on them? she demanded.

The orders would be laid next week and a statement made about the Government's intentions in the Commons, Mr. Callaghan replied.

Despite Labour invitations, the Tory leader offered no abusive comment on that.

It was left to Mr. Donald Stewart, the SNP leader, to offer the threat of a "no confidence" vote if the Government did not move more urgently towards a vote on devolution.

The Prime Minister did not look unduly worried. "We have had a period of reflection," he said, "and now we must proceed to a period of discussion."

Afterwards, no doubt, there will be a period of decision.

Parliament business next week

COMMONS
Monday—Debate on Government expenditure plans, 1979-80 to 1982-83. Lords Amendments, Social Security Bill.

Tuesday—Administration of Justice (Emergency Provisions) (Scotland) Bill. Debate on Communities Energy Policy.

Wednesday—Debate on the Prevention of Terrorism (Temporary Provisions) Act continuation. Motion on the Temporary Short-Time Working Compensation Scheme.

Thursday—Second reading Road Traffic (Seat Belts) Bill. Motion on Firearms.

Friday—Private Members' Motions.

LORDS
Monday—Confirmation to Small Estates Bill. Estate Agents Bill: committee. Ancient Monuments and Archaeological Areas Bill: report. Legal aid orders. Question on oil pollution in the sea area north of the Scottish mainland.

Tuesday—Kiribati Independence Bill. Banking Bill: committee. Debate report of the EEC on state aid for steel.

Wednesday—Debate on the Strutt Report "Agriculture and the Countryside." Short debate on the second land utilisation survey.

Thursday—Vaccine Damage Payments Bill: third reading. National Heritage (formerly Land) Fund No. 2 Bill: third reading. Conservation of Wild Creatures and Wild Plants (Amendment) Bill: third reading. Kiribati Independence Bill: third reading. Administration of Justice (Emergency Provisions) (Scotland) Bill: all stages. Prevention of Terrorism (Temporary Provisions) Act

Heath scorns PM's jingoism

BY ELINOR GOODMAN, LOBBY STAFF

MR. EDWARD HEATH rounded on the Prime Minister yesterday in defence of the European Community into which he took Britain.

The former Conservative leader accused Mr. Callaghan of crude tub-thumping and jingoism reminiscent of the Boer War.

The other EEC leaders, he said, despised Mr. Callaghan for his electioneering and held him in contempt.

Mr. Heath evidently felt so strongly about the Prime Minister's behaviour since returning from Europe this week that he agreed to do two separate interviews on the subject—one with the BBC and one on ITN.

He agreed that there were problems with the Community's agricultural policy but argued that membership had to be seen in the wider context of all the benefits Britain had got out of belonging to the Community.

Claiming that some of the changes now being proposed by Mr. Callaghan had first been

advocated by himself back in 1972, he accused the Prime Minister of throwing away the benefits of British membership.

His defence of the EEC was in sharp contrast to the very critical approach adopted by Mr. John Nott, the shadow Trade Minister, on Wednesday.

At question time yesterday, Mr. Callaghan—in a foretaste of what his strategy looks like being in the European elections—tried to exploit these differences as another example of a split in the Tory ranks.

Dismissing Mr. Heath's attitude as "nostalgia," he challenged Mrs. Thatcher to say what she thought of Mr. Nott's speech.

To the disappointment of some of her backbenchers who feel that Mr. Callaghan has all too easily succeeded in gaining the initiative on the Common Market, she refused to be drawn.

But the signs are that she is not entirely unhappy with what she would regard as Mr. Nott's

attitude of constructive criticism.

It may well be that she will try to correct the impression over the next few weeks that only Labour is in favour of reform, and make some public statement of her own accusing the Government of wasting the opportunities offered by Europe.

Mr. Heath acknowledged that the Community had its problems and that there was a need to work on a fresh budgetary basis, but he argued that it was not only Britain who had cause for complaint.

Why should the Europeans be contributing money to inefficient, strike-ridden, out-of-date industries in this country? he asked.

The only way Britain would get solutions was by recognising other people's problems and then coming forward with constructive suggestions and getting agreement about them.

THE lunchtime radio broadcast by former Tory leader Mr. Edward Heath, in which he

criticised the Prime Minister's attack on the Common Market, sparked exchanges between MPs and Mr. John Silkin, Agriculture Minister, in the Commons yesterday.

Mr. Tom Torney (Lab., Bradford S.) urged the Minister to take up with Commissioner Gundelach of the EEC Mr.

He'd never been in my car before and was obviously impressed by the deep plush seats, air-conditioning and quietness of the six cylinder engine.

"How much did it cost?" he asked, in that direct way Americans have.

I had been anticipating the question.

He had been silent since the start of the journey but it had been one of those silences that spoke louder than words.

I had seen him stroking the seat, then casually squeezing it as one might test the freshness of a loaf.

Twice he had turned in his seat to look at the back of the car and I noticed that on both occasions his returning gaze had lingered on the sun-roof above our heads.

As the car negotiated the rush hour traffic, he settled back in his seat and stretched his legs, extending his toes as if to test the leg room. A second or two later he turned to me and asked his question. We had a long journey ahead of us and I felt a little gamesmanship might pass the time.

"How much did it cost?" I echoed. "Why don't you try and guess?"

He smiled. "I've no idea how much Volvos cost."

"No, but you know how much your own car cost - if you get within £500 of the price, I'll buy dinner tonight."

He had sat up, interested in the game.

"Right," he said, "I need a few clues."

He took from his pocket a small notebook, beautifully bound in calf leather and a black Mont Blanc pen. He was, apparently, no stranger to quality.

"Well, the car is the Volvo 264 GLE" I began. "It's the best 4-door saloon car that Volvo make."

I felt rather vainglorious positioning it in this way, but to be fair, it seemed a piece of information he should have.

"It has a 2.7 fuel-injected V6 engine with an output of 148 bhp," I continued.

He looked up from his notebook and smiled. "It's very quiet," he said. "Very quiet."

We had by now reached the motorway and I slid my window up as we settled down to the long drive ahead.

It was a warm muggy evening and I blessed the fact that the car had air-conditioning.

"Is that an extra?" he asked as the air around us magically became cool and comfortable.

"No," I said. "It's a standard feature. I won't give you all of them or you'll get writer's cramp - but you ought to know the main ones."

He chuckled.

There was something about him that reminded me of Spencer Tracy, but I resisted the temptation to tell him so.

"The ribbed-velour seats are standard, so are the power steering, electric windows, steel sun-roof and tinted glass."

I hesitated for a moment, then went on with my list. "Metallic paint, electrically operated

door mirrors, headlamp washer/wipers, tachometer, a heated driver's seat..."

He interrupted and asked me to slow down. "Not the car, just the description," he added.

The motorway was now almost empty of traffic and the evening's humidity had turned to rain.

I always enjoy driving in the rain. The Volvo sits full square on the road and one wafts past slower traffic with almost feudal disdain. Of all the cars I've owned, none has made me feel more secure on a long journey.

"I'm ready for more dictation, sir." He had put on the accent of the young Judy Holliday and I began to look forward to an amusing dinner.

"Right," I said. "Just a few more I think." He looked up, pen at the ready.

"You get stereo speakers in the front doors, sun blinds on the rear window, head restraints on the rear seats, lights in the engine, glove box and boot, a clock, cigar lighter, radial tyres, fog lights, etc. etc. etc."

I delivered this last inventory in one breath and after a while he gave up the attempt to write them down.

"I get the picture," he said. "It's a very well-equipped car."

"Do you want to make a guess at the price?" I asked.

"Just two more questions," he said. "I assume you're talking about the price for the automatic model?" I nodded.

"And I'm taking for granted that all the usual Volvo safety features are built in."

"All present and correct," I answered.

He screwed up his face as if pained by the process of thinking. He felt the seat again; needing it seemed, a final confirmation of quality.

"Okay," he said. "I'd say you couldn't get this package for less than £11,000."

It was difficult to keep the satisfaction out of my voice.

"It costs £8,827," I replied.

He was silent for a moment, but only for a moment.

"You can still buy me dinner," he said. "If that's all you paid for this car, you can afford to."

I couldn't argue with him.

The Volvo 264 GLE.



THE PROPERTY MARKET BY CHRISTINE MOIR

Cedar Holdings showpiece on the market

THE 15-STORY office, shops and flats complex at 65 Buckingham Gate, London SW1, which Cedar Holdings was building as its showpiece at the time of its crash in 1975, is now discreetly on the market.

The institutional consortium PECU, which owns the building, advised by Mr. Peter Winsfield, senior partner of Hesley and Baker, is known to be considering offers at the moment.

PECU is an acronym for the Phoenix Assurance, Electricity Supply Nominees, National Coal Board and Unilever pension funds. These four provided an £80m rescue package for Cedar in April 1975.

Part of the arrangements involved PECU's purchasing the Buckingham Gate development — then merely a hole in the ground — for £15m, the value put on the work as it stood by Jones Lang Wootton and H and B.

The complex has now been finished and fully let for three years. It comprises 50,000 square feet of air-conditioned offices let to Rolls-Royce on three-year reviews of which the first is due in September. There are also nine shops on the ground floor and 50 flats on the

top seven floors. The flats have already been sold to an Arab company.

On the current rent roll of £850,000, given the imminent rent review and the exceptional standard of the fittings, the building is considered to be worth upwards of £16m.

PECU also acquired, as a result of its rescue package, a portfolio of properties which Cedar had assumed when it took over Amalgamated Securities for £23m early in 1973. The time has come for the consortium to consider unwinding that portfolio as well. "Acceptable" offers might be in the region of £16m.

● The Hampshire County Council pension fund has paid £775,000 for 9,250 sq ft of shops on Listergate in Nottingham, a price which reflects a yield of 4½ per cent and fully justifies the latest figures from Hesley and Baker which show retail property at the top of the popularity poll on yields as low as 4½ per cent.

In the Nottingham purchase Richard Ellis acted for the county, and Herring Son and Daw for the vendor. Two units are involved; the major one, 6,000 sq ft on basement, ground and three floors, is let to the Burton Group trading as Evans Outlets; the other unit is let to Rumbelows.

Valuation draft agreed

EUROPEAN property men seem well advanced on a programme for a common basis of valuation. The European Group of Valuers, under its chairman, Mr. S. G. Engelsman, of the Netherlands, met on Tuesday and approved the English draft of "The Basis of Valuation."

It is now being translated into the six official Community languages.

In addition, the group began detailed discussions of a common valuation certificate for the EEC as well as a common method for measuring buildings, and a common definition of an asset value.

The permanent chairman of the group is Mr. Norman Bowie, who has also led the work undertaken by the Royal Institution of Chartered Surveyors to define the different methods of valuation employed in England, and lay down the standard approved practice.

With the increasing penetration of European developers and investing institutions in each other's countries, a common European standard has become vital and the efforts to produce this are being supported by the respective governments.

● The RICS has told the Government's Property Advisory Group that if development is to continue at a steady pace without booms or shut downs, Development Land Tax, Office Development Permits and Industrial Development Certificates should be abolished. They are neither necessary nor desirable.

Rail funds buy £30m properties in spite of 'thin' yields

MR. JOHN MORGAN, general manager of the British Rail pension funds, believes property yields today are "thin," but that is not deterring him from buying in the market where opportunities present themselves.

Right now the BR funds are completing deals worth between £25m and £30m, which will take the total property portfolio up to £170m.

In spite of this activity, property investment by the funds is slightly under target — less than 20 per cent of the total book value compared with a target of 25 per cent.

But Mr. Morgan is in no hurry to fill the gap. He has no intention of forcing the pace of the market or lowering his standards of selectivity and is prepared to be beaten to investment purchases by other funds with either a narrower base to their portfolio or, as he puts it, "a more aggressive buying policy."

Agricultural land — all tenanted — accounts for about 6 per cent of the portfolio and is proving an impressive performer. Valued at £10m, it represents fairly active buying in the three or so years the funds have been in that market.

The level of yields achieved by shop properties is causing Mr. Morgan concern. "In some cases they imply a tremendous level of growth in rents and, therefore, in turnover by the retailer."

This point also is raised by Mr. Will Martin, the property analyst of the stockbrokers Quilter Hillier Goodison. In the firm's annual property review he notes that the level of rents achieved in Oxford Street, for example, suggests a level of turnover which can be sustained only by very efficient fast-turnover multiples.

Rent moves explain industrial pattern

THIS WEEK'S posting brings further confirmation of the strength of industrial rents; few recent lettings of new accommodation in the best locations have been at less than £2.50.

Such potential explains and underlines investment deals at yields of as low as 6.5 per cent. These are largely occurring where the rental base is currently around the £1-£1.50 range.

One such example is reported by Savills which arranged the sale of the Dunlop Rubber's warehouse in Tolly, Maidstone in Kent. The purchaser, advised by Drivers Jones, paid

over £4m for the property which amounts to a lettable area of 34,000 square feet producing rents of £35,000. The building was constructed in phases in 1966 and 1970, and rent reviews are at seven-year periods.

Where the rental base is higher — £2 and over — yields seem to be settling at around 7½ per cent as in the Allied Breweries pension funds' recent purchase in Hayes, Middlesex.

Advised by Debenham Tewson and Chinnocks, Allied has paid £400,000 for the freehold of a 16,500 square foot warehouse let to a subsidiary of General Telephone and Electronics of the U.S. The building, developed by

Wilson (Connolly) Properties, advised by Picton Jones, is on the Pump Lane Estate about 1½ miles from the M4 near London Airport.

A similar yield is being forecast for a development site in Boyatt Wood adjacent to the M3 in Southampton which has just been acquired by Richard Ellis for Imperial Tobacco's pension funds. Letting agents, L. S. Wall and Weller, Hill and Hubble, will be asking £2 for the 51,000 square foot of warehouse used £3 for the 3,000 square foot of offices.

The speed with which institutions are snapping up good industrial developments is keenly spurring on building programmes. Furthermore, the size of the schemes is also increasing, although cautious phasing is still the order of the day.

Estates Property Investment (EPI) is embarking on a £4.5m industrial and warehouse development on 12 acres in Cheadle Heath, south Manchester. Completion of the 200,000 sq ft involved should take less than 18 months as a pre-let to Holt Lloyd International as a distribution centre for car hire.

Letting agents, Elliott Fifield and Weatherall Green and Smith, are not yet quoting rents

for the other units but not less than £2 per sq ft is anticipated.

● The Paris office of Jones Lang Wootton reports the sale of the fifth floor of Tour Maine-Montparnasse on behalf of SCI Eurobureaux. The asking price for the 1500 square metre, fully let space was FF£ 15m, and the purchaser, who paid close to this figure, receives a yield of 8 per cent, suggesting an average rent of around FF£ 800 per square metre.

JLW points out that no further sales in the block are now likely, as from July this year the price would have to include a 16 per cent registration tax.

through developments ranging from industrial estates to a major shopping centre for Stirling.

British Rail's pension funds, by contrast, have less than 10 per cent of their investment tied up in development and this little is truly speculative. Most of it is in forward commitments on industrial schemes where the purchase depends on the developer's success in letting.

● Richard Ellis is asking £15 a square foot for Sun Life's refurbished office block in Cheapside in the heart of the City. Already two banks have taken 45,000 square feet (6,500 square feet of it basement storage) in the 110,000 square foot building where refurbishment has just finished. Leases are for 20 years with five-year reviews and each floor offers a minimum of 16,500 square feet.

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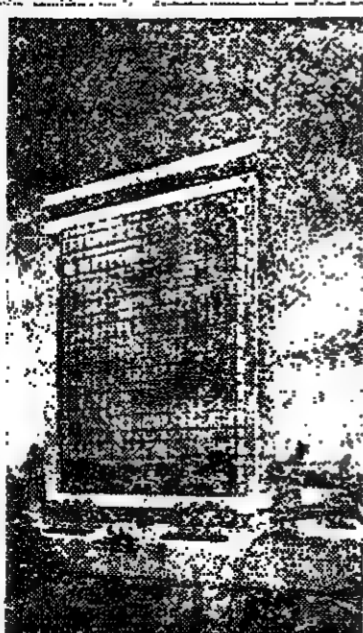
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Industrial/warehouse premises, preferably
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Ring 01-493 3700.

مكتبة الأحرار

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

PACKAGING

Bulk milk supplies in big bags

UNDERLINING THE fact that we are fast becoming a plastic world is the news from Bennetts's Dairies of Worcester that schools, hospitals and hotels will no longer receive their bulk milk supplies in conventional churns. The latter have been replaced by three gallon capacity plastic film packs from Bowater Liquid Packaging Division, Princess Way, Team Valley Estate, Gateshead, Co Durham NE11 0UT (0632-877181).

Bennetts's use of Portabags has enabled the disposal of a cleaning equipment and churn store in order to utilise the space saved to build an extension to its dairy, and the provision of a much needed new driveway. One man formerly employed in the washing plant had also been redeployed, resulting in a saving of over 21 hours per week in his labour.

Apart from the need to free valuable space devoted to cleaning churns, a major consideration prompting the choice of the plastic bags, says the dairy, was its desire to improve the standard of hygiene and presentation of bulk milk supplies.

Churns were often returned to base with milk curdling

inside them which necessitated scrubbing them out by hand before they entered the cleaning plant. This was not only an unpleasant task, it also slowed down the whole cleaning operation.

New containers are supplied flat, occupy minimal space, and a three-gallon pack weighs less and is much easier to handle than a conventional five- or ten-gallon churn. These benefits are much appreciated by delivery men and customers alike.

Pack consists of a clear polythene bag, and an outer coloured overbag to keep the inner one clean during delivery. Simplicity in use is another quality. A spout fitted to the inner polythene bag is locked into either of two specially shaped holes in the container. Topmost hole is used for pouring, while the bottom one dispenses by way of a tap.

Customers are supplied with a special bucket-shaped container in which the plastic bag is placed for discharge of the liquid — so, at no time, does the milk touch anything but its inner bag, thus guaranteeing purity of the product, and disposing with any washing up problems.

COMMUNICATIONS

Phone traffic control

PROVIDING CONNECTION for between 100 and 780 extensions and up to 98 exchange or tie lines, the IBM 1750 can offer the smaller company or organisation communications advantages and cost control facilities similar to those available with the larger 3730 which IBM has been marketing for some years.

Potential benefits stem from the program control of the IBM 1750, which, by providing over 80 different aids for handling voice and data traffic, can save time in giving and receiving information.

Flexibility of programming means that facilities can be allocated to extension users according to needs, and easily modified whenever necessary.

Staff reorganisation is easier and less costly, as extension numbers are moved electronically from one telephone to another — minimising need for wiring changes. As aids to efficiency and cost control the IBM 1750 can provide a variety of reports: calls made by extension; telephone traffic at certain hours; equipment usage; authorised attempts made to enter secure areas.

With the 1750, push-button telephones can be used as simple data entry terminals. Users can record their daily applications, a range of specially designed badge reading and key-board terminals can be connected to normal telephone extension lines.

Television monitors connected to an IBM 1750 can help secretaries by displaying whether telephones in the department are busy or free; the number of a calling extension, or the extensions that called in, but were not answered owing to staff absence.

The 1750 was developed at IBM's laboratory in La Gaudie, Nice, France. Manufacture will be at IBM's Montellier and Bordeaux plants.

First customer shipments are scheduled for January 1980. IBM United Kingdom, 101 Wigmore Street, London, W1H 0AR. 01-935 6600.

When a specific button is

Callers can be seen

MADE IN Italy by Lastema s.a. and available in this country from Kent Video, 6 Sundridge Parade, Plaistow Lane, Bromley, Kent BR1 4DT (01-464 3368) is a closed circuit video-telephone system for use in office developments, blocks of flats or private homes.

Visitors' calling unit at the main entrance consists of the usual annotated push-buttons together with a camera and loudspeaker behind the fascia panel. When a specific button is

pressed the corresponding occupant is alerted and the image of the caller appears on an eight inch television tube mounted in a desk-top unit which also carries a handset.

The occupant is able to see the caller without disclosing his own presence and need not converse unless he desires.

The connection remains for a time that can be set internally between one and two minutes. No other caller can operate the unit during that time.

HANDLING

Less risk of damage

PRODUCT SPOILAGE can now be reduced with a range of Spiraflo chutes for the bunkering and storage of friable minerals, claims R. Horsfield and Co., 55 Black Bull Street, Leeds LS10 1HS (0532-453296).

Chutes are manufactured in two sizes: 1.5 metre diameter, 2.5 metre pitch, 500 tonnes per hour capacity; and 1.8 metre diameter, 3.0 metre pitch and 700 tonnes per hour capacity. Segment materials are available in 25mm and 38mm cast iron, or can be lined with cast basalt to give a life expectancy from 14 to 8m tonnes.

Following a period of initial adjustment at the feed point, a specially angled inlet chute encourages a uniform flow to feed the mineral smoothly on to the steep profile of the spiral track.

Spiral track itself is designed to permit a steady downward flow at a uniform angular velocity, thereby allowing maximum throughput of product without spillage over the outside edge or down the centre of the spiral. At the unloading point, small materials act as a cushion for larger ones.

When used for stockpiling, the mineral forms its natural angle of repose at the track centre and eliminates free fall. This maintains maximum product size and prevents dust hazard.

Supporting structures for the chutes are purpose-designed to suit each installation and, where necessary, the company undertakes to incorporate chutes into existing schemes.

MAINTENANCE

Cleans long walls fast

A MOBILE unit that hoses tunnels and underpasses to be cleaned without restricting traffic flow has entered service with the British Airports Authority.

Supplied by General Descaling Company, it operates in the mile-long Heathrow airport tunnel, three to four times a week. It differs from other equipment by washing the walls and roof—with a water/detergent mix—while it is travelling at speeds up to 15 miles/hour. Normal traffic movements can be maintained during cleaning. The vehicle usually takes about 20 minutes to clean each side of the tunnel.

Built on a Ford D1210 chassis, with power-assisted steering, the unit incorporates a 1,250-gallon capacity water tank and a 50-gallon detergent tank. Solidity, these give capacity for nearly 30 minutes cleaning at full flow. Power for the reciprocating water pump, which is capable of delivering 45 gallons/min at

1,250 psi, is provided by an auxiliary four-cylinder diesel engine. Special detergent is added to the water during operation and the mix is discharged to the tunnel walls through spray booms on each side of the cab. Each boom has 22 spray heads, and its top section can be pivoted hydraulically to wash the tunnel walls up to 13 ft 6 in high, the walkway and a section of the roof. Flow can be cut-off to either boom from the cab console, which also controls the boom positioning, the auxiliary engine, detergent usage, etc. Roller shutter doors protect the pump, engine and controls from the detergent mix.

An automatic cut-out stops the auxiliary engine when the water level falls to 100 gallons, and a system for circulating anti-freeze through all pumps and hoses at the end of the day. General Descaling, Retford Road, Worksop, Notts. S80 2PY. Worksop 3311.

DATA PROCESSING

Recording the changes

IT IS AN indication of the development rate of equipment for computer output on microfilm (COM) that few of the machines offered when the last edition of G. G. Baker, Associates' guide was published in 1975 are on the market today.

The 1979 edition, still offered at £5, as was the first in 1971—lists some 40 models of COM recorder offered by 15 companies, most of them U.S.-based. It combines the advantages of a textbook and buyers' guide, with about one third of the 208 x 135 mm pages devoted to a full explanation of the technology of COM, including a new

chapter on software contributed by a Datagraphix expert.

About three pages are devoted to each model and there is a line drawing of each basic machine to give an idea of its appearance.

There are chapters on the background to the subject, microforms in use, mechanics, scanners, software, film processing, duplicating, costing, standards, and a glossary. COM bureau services in the UK are listed, with a selection of European ones.

Further details from the company at 54 Quarry Street, Guildford, Surrey (04888 6653).

Yet more on the board

USING microprocessor chips designed and manufactured in its own plant specifically for the purpose, Digital Equipment Corporation has developed what it claims to be the "world's most powerful microcomputer."

Value of the labels "mini" and "micro" in modern small scale computing becomes even more doubtful when it is realised that the new machine, LSI 11/23 (PDP 11/23 in boxed form), has the power of the company's 11/34 mid-range mini, but on one printed circuit board.

The machine also makes an interesting comparison with its micro predecessor in the same range, the LSI 11/2, with up to four times the memory, four times the number of interrupt levels and up to five times the speed.

Employing the full instruction set of the PDP 11/34 mini, the new micro is also able to run the company's RSX-11M and RSX-11S multi-tasking, multi-user operating systems, together with all the software developed for the existing LSI 11 family, including the RT-11 operating system and high level languages

such as basic, Fortran 4 and Pascal.

Using a 16-bit word length the machine has the same module size as the entry-level 11/2, so that updating would consist of no more than unplugging the board and substituting the 11/23; the new machine could then immediately run, says DEC, but at 2½ times the speed.

Up to 256k bytes of memory can be addressed by the 11/23, which makes use of the DEC "memory management" technique in which memory segments of from 32 to 8,000 words are employed, avoiding the allocation of large portions of memory to each user and improving the efficiency of the system. Memory access time is about 210 nanoseconds. Cycle time is 500 ns (250 ns in the PDP 11 processor).

In its simple OEM board form the 11/23 costs £1,157 in quantities of 100; the volume price of the complete computer, PDP 11/23, is £3,038. First deliveries in the UK are expected to be in mid-summer.

DEC is at King's Road, Reading Berks. (0734 583555).

CARTOGRAPHY

Keeps maps up to date

MADE BY Bausch and Lomb and available from Survey and General Instrument (Fitterott Way, Edenbridge, Kent, 0732 864111), the Zoom Transfer Scope helps solve a recurring problem for cartographers and surveyors—the updating of maps and charts.

The device works by optically comparing the old map with a stereo pair of an up-to-date aerial photograph of the area in question. By using the zoom adjustment the magnification can be changed so that the two

images are superimposed. The operator can then add the new information, perhaps a new road, bridge or building, and can adjust contours and spot heights using the stereo facility.

Zoom range is 7:1, allowing the magnification to be adjusted from 0.5 times to 4.2 times; it is also possible to stretch images along any axis to counteract optical distortion in the stereo photos. The scanning stage can be moved horizontally through ±114 mm and vertically by up to ±135 mm.

INSTRUMENTS

Fillip for tachometer

EVEN THE humble tachometer has been able to benefit from application of the microprocessor in a new model announced by Russet Instruments, RIL House, Sheen Park, Richmond, Surrey TW9 1UN (01-940 9931).

Made by Jaquet in Switzerland, these instruments can accurately measure and display any quantity which can be converted into a proportional frequency by means of a suitable transmitter; however, they do not use the customary counting principle, employing instead the measurement of time periods between events.

The micro handles all sequential and display control operations in addition to the calculation of values, with programs stored in a programmable read-only memory.

An advantage of the measuring technique is that it is effective at low frequencies: the total measuring and computing time is almost constant and is independent of transmitter frequency, measured parameter or measuring range.

One of the models is equipped with alarm limits set by thumb-wheel switches.

Sensors for use with diesels

ASEA is introducing two new sensors, a surface temperature sensor and a wear sensor, which are primarily intended for use in condition monitoring systems for marine diesel engines. They have made it possible to find answers to material problems that have hitherto been unsolved.

The surface temperature sensor has a very fast response. It measures the temperature of a surface within about 1 microsecond. The sensor has been developed to record the temperature of each piston ring in the cylinders of marine diesel engines. Because of its fast response, it is capable of measuring the temperature of each individual piston ring as this passes the measuring zone in the cylinder.

Such a fast temperature sensor can also be used with advantage in other applications. Typical examples are the measurement of the surface temperature of moulds in foundries, the temperature of flowing gases and liquids in cases where the flow configuration must not be disturbed, and in

conjunction with the testing of new lubricating oils and bearing materials.

The sensor consists of a thermocouple of type K (NiCr-NiAl). This consists of a rod of chromium nickel and a sheath of nickel, which are insulated from each other by a thin dielectric. The extremely fast response of the sensor is associated with the fact that the thermal mass in the "hot junction" is small. The contact between the rod and the sheath is created by the "burrs" arising as the measuring surface of the sensor becomes worn. In this way, the contact between the metals is continually renewed as the sensor wears. On delivery, the surface of the sensor has been ground with an abrasive.

Wear sensor outwardly resembles the surface temperature sensor. The difference between them is that the sensing element in the wear sensor consists of a thin-film resistor instead of a thermocouple. This resistor is made from a mixture of silicon oxide and chromium (cermet). As the sensor becomes worn, the

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AUTOMATION

Rugley, Staffs, England

Controls for industry

COMPONENTS

Enables a close look

WITH LOWER loss optical glass fibre, improved light sources and associated developments, longer ranges are becoming possible with fiberoptics.

Latest from P. W. Allen and Company, 253 Liverpool Road, London N1 1NA (01-609 1102) offers flexible lengths ranging from 38 to 98 inches together with end tip articulation of ±120 degrees. The system, designated FS-6201, can be threaded through a series of bends, elbows and Y junctions as well as through passages containing irregularities and obstructions.

Articulation is via a two-way rotary control mounted in the handle and a further knob enables the subject to be brought into short focus over a range of viewing distances.

These equipments are intended for viewing otherwise inaccessible regions in boilers, heat exchangers, engines and similar products in manufacture, inspection or fault diagnosis.

Illumination is by an 80 watt quartz iodine lamp the output of which is piped to the head via a fibre bundle.

To special order, versions up to 15 feet long can be supplied.

Insulation of pipe runs

FOR electrical insulation of sections of steel or ductile pipeline in diameters between two and 12 inches (50 and 300mm), Terminal of Stockwell House, Hinxley, Leics LE10 1HW (0455 32087) is supplying a new range of insulating joints.

Typically the requirement may arise where sections of differing metals have to be isolated for cathodic protection or other purposes.

The joint consists of two small sections of pipe of internal diameter similar to that of the pipeline. One section is fixed in place, the other over a length of about one diameter with sufficient clearance for a silicone rubber "O" ring to make a proper fit. The remaining overlap length is filled with epoxy resin, the adhesive grip of which is assisted by a knurled finish on the metal surfaces.

In the case of a steel-steel joint the remote ends are prepared for welding; a ductile end would be recessed to suit a Stanton and Staveley Stanlock fitting.

PROCESSES

Big squeeze for drums

WASTE DISPOSAL problems are eased, and extra storage space gained, by the use of a new, enlarged heavy-duty drum crusher, says Portable Balers, Summit Works, Smith Street, Hockley, Birmingham B19 3EW.

Machine incorporates a 5.5 hp continuously rated totally enclosed motor, and has a large crushing chamber of capacity up to 36 inches high and suitable for drums of 19-inch diameter.

The crusher will flatten 1 cwt cyanide drums of varying sizes, larger drums, pails or kegs, round and square, reducing them to a thickness of about two to three inches in one operation. Alternatively, a number of small cans can be crushed in one stroke.

Unit is complete with all necessary accessories including overload protection, automatic return machine, safety switches and guards.

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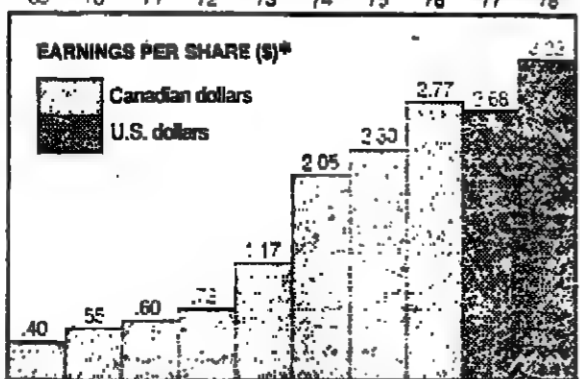
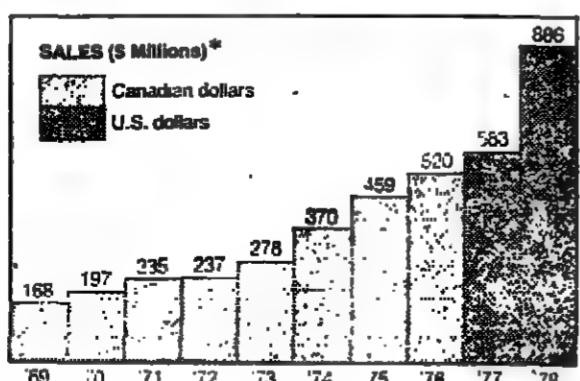
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*The years 1969-76 are in Canadian dollars, as reported by the company. 77 & 78 are in U.S. dollars. The apparent anomaly in the earnings trend in 77 results from the change to U.S. dollar reporting.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

After the abortive attempt to capture Nixdorf, VW takes over Triumph-Adler. Max Wilkinson reports

Volkswagen at last breaks out of cars

WHEN Volkswagen takes over control of Triumph-Adler it may find itself being caught a lesson in how to diversify out of mechanical engineering into a range of other industries.

Certainly, Triumph-Adler has been very successful in diversifying out of electro-mechanical manufacture, mainly typewriters, into the unfamiliar territory of office computers. A decade ago TA's business was 82 per cent in traditional mechanical engineering products. Since then the position has been almost reversed, with the quarters in what it calls core systems, mainly computer products, and only a quarter in typewriters and related equipment.

Volkswagen's general motive in buying into companies outside its traditional business has been clearly stated on a number of occasions. It wants to use one of its cash hoards of over £100m to buy companies which counteract the cyclical disadvantages of the automobile industry.

Indicated

Several times in the past year, Volkswagen has indicated that it has been looking mainly at capital equipment businesses. Three possible sectors were named: process plant, chemical and electrical engineering. A typewriter company moving into office electronics does not obviously fit into any of these categories. However, Volkswagen's first publicly stated attempt at a move outside its own sector was in the computer systems business, when it tried last year to gain control of Nixdorf, the highly successful small computer group. Talks collapsed in the end because Heinz Nixdorf, founder and chairman, used to sell.

Volkswagen's interest in Triumph-Adler (TA) was probably aroused shortly afterwards when its owner, the U.S. group, Litton Industries, is believed to have let it be known that it was prepared to give up control.

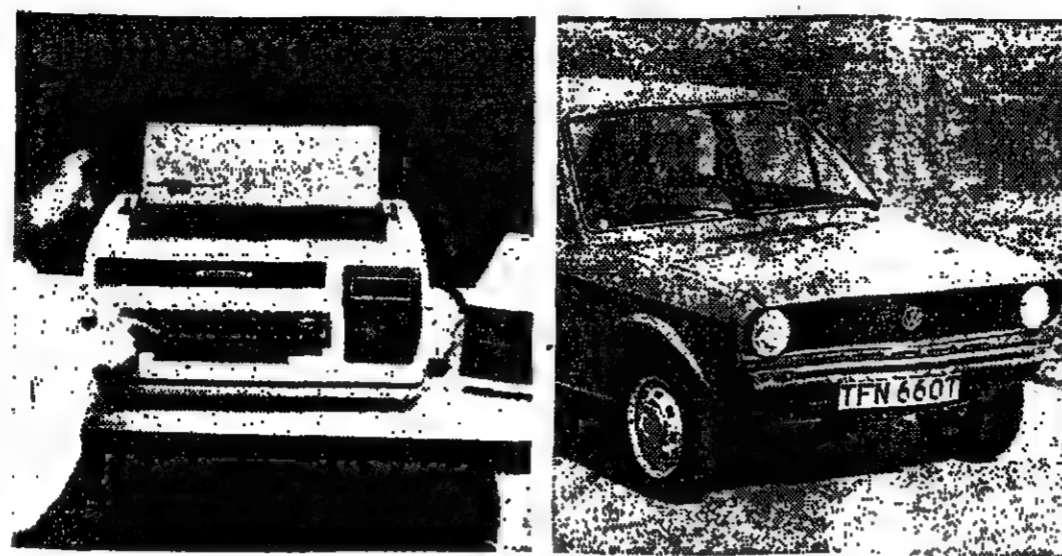
Under an agreement announced last week, the nominal capital of TA will be increased to DM 80.5m (\$43.5m) from DM 46m (\$24.8m). VW will have 55 per cent, Litton, 19 per cent and Diehl, the German electronics group, will increase its stake to 25 per cent. Although no details have been given of the price, which VW is proposing to pay, taking as a basis TA's quoted share price, the purchase may be costing VW something of the order of \$300m, or less than 10 per cent of its available cash.

Triumph-Adler certainly satisfies one of the criteria laid down by VW's management for a possible acquisition. It is rapidly growing and reasonably profitable.

In 1969, when it was still developing its present range of office computers, total sales were DM208m (\$112m). Last year's sales were almost exactly four times as high, DM 835m (\$450m). Triumph-Adler's profit after tax in 1977 was DM15.2m (\$8.3m) which was an increase of 4 per cent on the profit for 1976.

That was the year in which Herr Max Grundig (owner of the Grundig television and audio business) decided to sell out to Litton Industries. Grundig had bought Triumph in Nuremberg and Adler in Frankfurt ten years earlier, when Grundig himself more strongly committed to the office equipment industry through its dictation equipment suppliers.

The year after Litton bought the businesses, TA launched the first of its new line of small office computers, the TA 10, a simple machine aimed particularly at customers who had



The Volkswagen Polo, latest in the line of VW small cars, will be joined by such products as the SE 2000 computer (left) when Triumph-Adler becomes part of the VW group

never used a computer before. It was then working on a larger machine which was to be called the TA100 and would put Adler into head-on competition with Nixdorf, Olivetti, Philips and other companies which were making small machines for accounting and other specialised purposes. More important, Triumph Adler was laying the foundations of its present strategy for moving into computer systems. This was based on the perception of a very important paradox in the development of office electronics.

It foresaw that the cheapness of electronics would first become a threat to mechanical products (as with simple calculators) but that eventually electronics would cost so little that the remaining mechanical parts of an office system would assume a greater technical and financial significance.

Herr Gerd Weers, chairman of the group, expresses the point like this: "The change-over from mechanical engineering to electronics is not the point. The computer of the future will have a large proportion of high precision mechanical components in it. And that is precisely where Triumph-Adler's skill lies."

Realised

"From our position in precision mechanics we could see that most of the computer would be made by us."

Adler realised, in short, that in the small office system, the printer, typewriters and other electro-mechanical units like tape and disc drives would gradually become more significant to the customer than the micro-electronics which drove them.

Mike Davies, general manager of Adler Business Systems (UK) echoes the point: "As electronics go down in price, the mechanisms become more important. The name of the game will be to produce the best mechanisms."

However, the production of excellent and reliable printers was not enough. Triumph-Adler has also had to invest heavily in the programming (software) needed for special applications in, for example, traffic and transport control, the building industry, the medical industry, breweries and general trade.

So far its largest single success has been the development of a ticketing system for the German railways. More than 5,000 units of its TA 100 small computer have been sold, for a total of between DM 150m (\$80m) and DM 180m (\$97m). A sample order has also been taken by the Dutch railways, which TA

is hoping will lead to a similarly large order.

With the German railways' order production of the TA100 is now running at about 300 a month. A total of about 20,000 units has now been sold, and TA claims about 20 to 25 per cent of the installed base in Germany for this category of machine, claiming second place in this particular market to Nixdorf.

That sort of claim must always be treated cautiously because of the problems of definition. However, it is clear that Adler is now thoroughly established in the computer industry, mainly in Germany and the UK. It exports 60 per cent of total production, half the exports go to other European countries, half elsewhere, including its small TA10 and the TA20 family which superseded it. TA's total computer sales now amount to a respectable 50,000 units.

However, even for a company which makes its own printers and has a good distribution network, the small computer market is difficult; it is crowded with large multi-national competitors, all of them under the lowering shadow of International Business Machines.

Its ultimate success in the small computer market is therefore not a foregone conclusion by any means, particularly in view of the growing competition from high technology companies in the U.S. like Hewlett Packard, Texas Instruments and National Semiconductor.

It is fair to ask, however, whether TA made a mistake in the early 1970s with its decision to develop business machines rather than developing automatic typing systems with magnetic memories — word processors. In the event it had to go to another Nuremberg company, Diehl, to obtain the

know-how for an electronic typing or word processing system.

As a result of a joint co-operation deal in which Diehl took 12.5 per cent of TA's shares a new "test editor" was developed and launched by TA last year, called the SE 2000. This is a relatively simple and inexpensive machine with a magnetic disc memory. It will be followed quite soon by a more complicated series of communicating word processors.

It is too early to tell whether Adler's decision not to go into word processing earlier will have proved wise. Perhaps its arrival is a bit late, or perhaps it will have been able to avoid the mistakes of the first generation of products.

Pursued

Certainly, Adler pursued its declared strategy of developing its own electro-mechanical part of the system. During the early 1970s it spent a considerable part of its research effort on the development of a single element "golf ball" typewriter to compete with the IBM Selectric. This machine has now been in production for about two and a half years and is the basis of the smaller word processing system.

This development emphasises the continuing importance of typewriters to the group, both as products which can be driven eventually by electronics and as a way of keeping a strong presence in the office products distribution network.

In 1977, sales of the single element typewriter (the SE1000) were increased by 44 per cent, for example. This compares with the 30 per cent increase in sales of computer systems, which, however, accounted for the major part of the group's total increase in revenues.

The rapid increase in the sale

of golfball typewriters coincided with the decision by Litton Industries to transfer Royal Business Machines, the U.S. typewriter company, into the control of Adler. As a result, Triumph-Adler controls the worldwide marketing and production of the Royal/Imperial products as well as its own.

Adler estimates that it now accounts for 25 per cent of all European sales of electric typewriters and 10 per cent of the world market. In the manufacture of the single element machine, Adler says it is the second largest after IBM.

Typewriters can therefore be expected to provide a steady source of revenue for many years. However, a very large investment will also be necessary if TA is to keep abreast of the competitive office systems market. Most analysts agree that although the potential growth in sales of office machines is huge, companies will have to advance fast over a very broad front if they are to avoid being isolated and cut down by competitors.

It may be that this will provide VW with just the sort of investment and management challenge for which it has been looking. From a different vantage point in the electrical industry, Siemens in Germany and the General Electric Company in the UK are both preparing a heavy investment programme in office systems. GEC has indeed, made a similar move to VW's with its acquisition of A. B. Dick, the U.S. office equipment company.

The office market is therefore attracting big companies with big money to spend on developing a completely new range of computer based and communicating products. Triumph-Adler was going that way anyhow. Maybe VW will drive it there a little faster.

PRODUCTIVITY SCHEMES are in fashion — yet again. In many of the current ones, the use of questionable effectiveness is undeniable that British industry badly needs to increase efficiency.

The introduction of productivity schemes for white collar jobs can be fraught with difficulties because of the problem of measurement, acceptance and acceptance. And many managers also, rightly, believe that trade unions may not be willing to embrace such schemes.

A useful lesson on how unions react to white collar schemes is gleaned from a newly published Oyez Intelligence report in a chapter on the subject written by David Cockcroft, a research associate of the Association of Professional, Clerical and Commercial Staffs.

"The first thing that any sensible trade unionist does when faced with the suggestion of introducing a productivity scheme of any sort, shape or size is to ask himself why it is being proposed."

Mr. Cockcroft cites three main reasons. One is that a company may wish to pay out less money during a period of wage restraint and he reflects that if both parties are introducing a productivity scheme merely to hoodwink the Department of Employment then it would be best to make it very complicated using indices which are difficult to measure and understand.

The second reason he says is that an employer may wish to take some of the heat out of the annual pay bargaining by trying to argue that a measure of company success, "and thereby attempting to secure the union's

own acceptance of a particular distribution between profits and wages."

The third reason he gives is the most obvious and the one which he favours: to increase productivity and reduce unit costs.

Mr. Cockcroft says it is nonsense to accuse trade unions of not being in favour of greater productivity — as some managers and management groups sometimes attempt to suggest. The question unions are most concerned to ask is "greater productivity at what cost and to whose benefit?"

There are four reasons why

trade unions will suspect the motives behind white collar productivity schemes. They may detract from inadequate basic pay; they can result in "selling" jobs and sharing out wages, thus creating unemployment; they can divide one group of workers from another by concentrating only on jobs where output can be measured, leaving other jobs which are equally valuable to a company's performance out in the cold; and lastly they can be the result of an attempt to create an "artificial identity of interest between employer and employee."

There are two main reasons for the growth of white collar productivity schemes says Mr. Cockcroft. One is the growth of white collar unionisation and the second is the slow realisation that white collar productivity plays a crucial role in determining the total productivity of a company.

"It is beginning to be understood that efficiency — a more useful term than productivity anyway — is determined not by

making people work harder, but by making them work more efficiently, and that is a function of morale, organisation and of job satisfaction."

The biggest reason, though, that trade unions are reluctant to bargain on productivity or to loosen restrictive practices, says

Mr. Cockcroft, is because they fear they will lose jobs as a result. "Who can really dispute those fears in the current situation?"

When it comes to negotiating a productivity scheme, Mr. Cockcroft warns managers against trying to "box clever"

by keeping back information from the trade union representatives on the outcome of the scheme which would radically affect their attitude to it. "Unless agreement is reached on the basis of full understanding of the issues involved, with all the employees' representatives involved in the distribution of the fruits of increased productivity, then sooner or later the scheme will come unstuck."

One of the things which is most difficult to understand

when talking to managers about productivity improvements at a company level, he says, is how they justify the assertion that they need to improve competitiveness in order to sell more, but they will as a result of improving productivity need to shed labour. "The fact that changing productivity affects both output and labour demand seems to escape them."

Oyez Intelligence Report on White Collar Productivity Payment Schemes, 48 pages, £60 from Oyez Publishing, FREE-POST, EC4B 4EB.

White collar productivity schemes

BY JASON CRISP

Executive seminar

Strategy and management of the research and development function

Industry and Government are spending vast sums of money on Research and Development. Are these expenditures well managed? Are you sure your company or organisation is getting the maximum benefits from its R & D efforts? Should it cut down on R & D activities, redirect them or expand them? How do you know if the R & D people are working on the right things and if they are, are they performing efficiently?

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- the management of multi-discipline projects and people management in

R&D — the assessment of the R&D function by means of key numbers.

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The workshop will be held in:

- London, UK - May 29-31, 1979 (Fall: October 29-31). "The Compleat Angler Hotel", Language: English.

- Düsseldorf, BRD - May 9-11, 1979 (Fall: October 8-10). Hotel "Intercontinental", Language: English.

- Almelo, NL - May 2-4, 1979 (Fall: October 17-19). Hotel "De Wiemsel", Language: Dutch.

For enrollment or additional information please contact our main office: Bakkenist Management Consultants, Emmalein 5, 1075 AW AMSTERDAM, Netherlands, Phone: 020-763666.

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Tues. 27th March 1979

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LOMBARD

Politics and British Steel

BY GEOFFREY OWEN

SIR RICHARD MARSH, who as Minister of Power in the Labour Government of 1966-70 was largely responsible for the steel nationalisation Bill, now believes that the British Steel Corporation should be "taken out of the political arena". In a speech earlier this week he said it was time the politicians left it alone, since "no one could seriously believe that it could be returned to the private sector."

Now it is perfectly true that with the industry in its present financial state denationalisation is out of the question. It is also true that the BSC has been subjected to too much political interference, under the Tories as well as under Labour. But that does not mean that politicians should be barred from considering possible improvements in the structure and organisation of the industry. The Government of which Sir Richard was a member refused, for party political reasons, to consider any alternatives to nationalisation; but that decision should not be binding on future governments.

Inter-trading

The BSC's immediate priority is to eliminate the losses and it would be wrong to distract the management from that task. But while the process of cost-cutting goes on, both the management and the Government, as shareholders, need to have a reasonably clear idea of what sort of structure should eventually emerge. As far as steel production is concerned, there is a strong case for giving the major manufacturing centres—Scunthorpe, Teesside, Sheffield and the rest—almost as much autonomy as if they were independent businesses, responsible for production, sales and profits. Putting this concept into practice is not easy; there is considerable inter-trading between the divisions and they rely on the BSC for a number of common services. But the obstacles need not be insuperable if there is the will to move in this direction.

In time it might be possible to float off some of these semi-autonomous divisions—Sheffield as the most obvious example—as quoted companies in which institutions and private investors could be invited to hold shares. Even if the Government retained the BSC, retained an equity interest, the managers of these quoted companies

would not only be less vulnerable to political interference, but would also be freer to pursue an independent commercial strategy. For example, they might want to move downstream by acquiring steel-using companies, as the leading German steelmakers have done, and thus reduce their dependence on basic steel.

Similarly, the new regional steelmakers might find it easier to negotiate rationalisation deals with private sector companies. There is scope for it, to avoid duplication and to make better use of facilities, and no doubt the BSC in its present form can and will cooperate with the private sector in this way. But the danger is that any substantial deal which the BSC itself attempted would run into a storm of political opposition, especially if it involved a transfer of assets from the public to the private sector.

The case for breaking up the BSC into more manageable units is based not on ideological but on practical grounds. Is it too much to hope that these practical arguments might appeal even to a Labour Government? The Prime Minister has been known to be critical of some of the large-scale mergers which took place during the 1960s and to believe that small and medium-sized enterprises are more likely to be successful. But perhaps Labour Governments fall into a special category.

Long time-scale

As for the Tories, there are no easy political victories to be won in this field. The changes suggested here would have to take place over a long period, at least five or ten years—and that is a time scale in which not many politicians are interested.

BSC is difficult to manage because (a) it is very large and (b) it is owned by the Government and therefore subject to overt and behind-the-scenes pressure from politicians and civil servants. The disadvantages of the first can be offset in part by simplifying the internal organisation and that is already happening to some extent—but the second will only be overcome by a return to the private sector. It may take a good many years before the change can take place, but the objective should not be forgotten.



ISLE OF WIGHT

FROM BEHIND the 15 feet-thick walls of a moated fortress atop the east downs of the Isle of Wight, Jim McMahon fires off business ventures with the gusto of a military gunner.

McMahon, an Australian former motor mechanic who took an English holiday in 1950 and stayed, is one of the four founders of the Britten-Norman company which gave the world the Islander and Trislander aircraft, as well as two lengthy and complicated receiverships. The original partnership—of McMahon, John Britten, Des Norman and Frank Mann—has long since been dissolved. Britten is dead; Des Norman is trying to bring back to the island the Firecrafter trainer aircraft project he started in a barn in the island village of Niton and moved to the mainland through lack of facilities; McMahon and Mann simply moved themselves, and the lucrative crop-spraying side of Britten-Norman's activities up a nearby hill to the fort which they leased from the National Trust after the partnership split up.

Today, through Micronair (Aerial) and Crop Culture (Aerial), McMahon's and Mann's agricultural aviation

operations cover much of the world. In recent years they have diversified into land reclamation, the virgin island, mini-submarines, vacuum-moulded banana baths for Jamaica, video display installations for teler terminals and a host more.

McMahon provides one of the best examples of the strong entrepreneurial spirit pervading this 110 square mile island and which is reflected in a remarkable diversity of innovative light manufacturing and engineering concerns leading strength to the island's economy.

The island is the cradle of the hovercraft industry. Quite apart from British Hovercraft Corporation, with 2,200 employees, both the island's largest employer and maker of the world's largest hovercraft, the Super-A, now plying the Channel for Seaplane, two much smaller concerns are making—and selling—light hovercraft. In Cowes, the main industrial centre, boatbuilders rub shoulders with street-vending manufacturers, plastic injection moulders with turbine manufacturers, and heat exchanger makers with electronics concerns.

But in testament to a county council policy carried out over 30 years, industry is scattered also throughout the island: at Bembridge, home of Britten-Norman (now being taken over

by the Swiss Pilatus aircraft concern) in the east; the small town of Freshwater in the west; at Ryde, Shanklin, Sandown and the island's administrative and geographical centre of Newport.

And within a bull's bellow of it all, a thriving agricultural community goes unperturbed by its business, and hotels, guest houses and restaurants gear up for yet another heavy season's tourism.

On the surface, therefore, the island is in a fairly enviable position: the wide mix of in-

dustry is strengthened by the presence of larger companies such as BHC, Plessey's radar and other electronics operations, and Ronson.

While tourism has fallen from the peaks recorded a few years ago, this being at least partly offset by extending the season, and with estimated earnings last year of £55m, it matches industrial activity in its contribution to the economy. And although the numbers employed in dairy and arable farming have shrunk—to perhaps 1,000 out of the island's 36,000 workforce—it is efficient and earns almost as much for the island as either industry or tourism.

Yet, despite the so far successful accommodation

between industry and amenity, island planning officials are worried enough to take the unusual step in the South-East of seeking Assisted status from Whitehall. Meanwhile, it has launched its own initiative to draw in new industry and to that end has been accepted as a special investment area by the Development Commission and is receiving aid from the Council for Small Industries in Rural Areas (CoSIRA).

The crux of the island's problem is three-fold: as with most tourism areas, seasonal unemployment presents difficulties. Last summer, the unemployment rate was about 51 per cent, slightly below the national average but worse than the South-East's 4 per cent. But in winter it shoots up to nearer 10 per cent.

The problem is exacerbated both by its insularity, and its attractiveness as a place to live. The 110,000 population is being added to at the rate of 1,000 a year, all immigrants. Add to this the fact that private business naturally focuses on the ready cash of the tourist, and almost retired, the proportion of those working to overall population is declining. It is 40 per cent now against a national average of nearer 50 per cent. "If we don't do something about it, we're going to drift down to 30 per cent," says Stan Green, the island's mayor. "Worse yet, and this is a chronic

public housing shortage; a waiting list of 2,000 encourages the island's youth to acquire their skills and homes elsewhere.

The housing shortage also largely accounts for the anomalous situation that the island's main employers simply cannot get enough skilled workers. British Hovercraft takes on 40 island apprentices per year, but still cannot fulfil its demand for already skilled men, who predominate in BHC's operations as they do in most island concerns.

The county is encouraging local housing associations to accommodate key workers and wants at least some local authority allocations for them. That in itself is a difficult situation to which we've not yet really found all the answers," admits Stan Green.

But officials know they must be found if their goals are to be realised of reducing seasonal unemployment, retaining the island's young through wider job opportunities—the target is to create 400 jobs a year split between manufacturing and service industries—and to achieve a yet better balance in both the structure and distribution of employment.

The job creation policies it has adopted—the country's structure plan received Government approval last week—have been meeting some success. The county is acquiring and providing land for industrial

developments at Cowes, Ventnor and Newport; it has provided buildings and financial help for new industry to move in and, where a really strong case can be made, is prepared to continue doing so. The county's active role as catalyst is certainly a factor in the close interest which the Development Commission and CoSIRA have been persuaded to take in the island.

But the island's planners are steering well clear of an "industry at any price" approach. Mindful not to injure, let alone kill, the golden goose of tourism and mind, too, of the late 1960s shakeout, it is seeking only to further the spread of small, light industries and encourage the services sector.

Nor is there any support for a physical link with the mainland, just a few minutes away by fast boat. Its cost would be out of all proportion to the size of the island's economy. In fact, Sealink and Red Funnel ferry services have been steadily expanded.

But there is another reason why most islanders actively oppose a land link. Except for the few weeks of high summer, the roads are uncrowded, the quality of life high.

"And that's the way we want it," observed one islander wryly, "as far as we're concerned the rat race steps at Southampton."

Stamina and sure-footedness will be essential at Chepstow

THOSE BACKERS who trod warily at Cheltenham, avoiding all but the few animals to relish mudbath conditions, could well make their activities at Chepstow pay this afternoon given similar self-control.

For although today's ground on the Monmouthshire track may not present quite as many

problems as the bog-like conditions at Prestbury Park there is no doubt that stamina and sure-footedness will again be all-important.

Two unlikely to fail in either department this afternoon are St. Cadwaladr and Border Merchant, my idea of the two principals in the St. Patrick

Chase. The first-named, a course and distance winner already but with a minor obstacle, proved that a race such as this could be well within his compass when plunging through the mud at Newton Abbot last time out.

The Uplands seven-year-old foiled a substantial gamble on Queensland with a determined late run which carried him two lengths clear of the favourite close home.

The Richard Head trained Border Merchant, who is in receipt of 8 lb from his Lambourn neighbour, proved that a long absence had neither blunted his ability or enthusiasm at Fontwell a day before St. Cadwaladr's Plant Y success. In touch throughout in the 21 mile Storrington novices chase Border Merchant finished third behind the race-fit market leaders, Some Story and Aloha Prince.

In the belief that the will

have come on a great deal as a result of that outing—his first in two seasons—I intend taking Border Merchant to wear down Francombe's mount.

There are 65 left in the Colts-sponsored Grand National at Liverpool on March 31, but I have little doubt that we shall see a number of fancied runners falling by the wayside in the next 10 days. Several stables report coughing and Gordon Richards, in particular, is a worried man. Both Lucius and Tamarin are under a cloud with the virus badly affecting his strength.

CHEPSTOW
2.00—Quiet Queen
2.30—Zariff
3.00—Heric
3.30—Border Merchant**
4.00—King or Country
4.30—Major Swallow**

Friday Film: Herbert Marshall in "The Underworld Story", 12.40 am Survival.

HITV
1.20 pm Report West Headlines, 1.25 pm News, 2.00 pm Family, 2.15 pm Laverne and Shirley, 2.30 pm West, 2.45 pm Report Wales, 3.00 pm Emmet, 3.15 pm The Jim Davidson Show, 3.30 pm Report Extra, 3.45 pm The Jim Davidson Show, 3.55 pm The Jim Davidson Show, 4.10 pm The Jim Davidson Show, 4.25 pm The Jim Davidson Show, 4.40 pm The Jim Davidson Show, 4.55 pm The Jim Davidson Show, 5.10 pm The Jim Davidson Show, 5.25 pm The Jim Davidson Show, 5.40 pm The Jim Davidson Show, 5.55 pm The Jim Davidson Show, 6.10 pm The Jim Davidson Show, 6.25 pm The Jim Davidson Show, 6.40 pm The Jim Davidson Show, 6.55 pm The Jim Davidson Show, 7.10 pm The Jim Davidson Show, 7.25 pm The Jim Davidson Show, 7.40 pm The Jim Davidson Show, 7.55 pm The Jim Davidson Show, 8.10 pm The Jim Davidson Show, 8.25 pm The Jim Davidson Show, 8.40 pm The Jim Davidson Show, 8.55 pm The Jim Davidson Show, 9.10 pm The Jim Davidson Show, 9.25 pm The Jim Davidson Show, 9.40 pm The Jim Davidson Show, 9.55 pm The Jim Davidson Show, 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THE ARTS

Beraud breaks the spell

by NIGEL ANDREWS



Danielle Darrieux in 'Madame De...'

On Its Back (X)
Paris Pullman
me De... (A)
Camden Plaza
Boys from Brazil (AA)
Classic Haymarket
a Film Season
Electric Cinema

those who have been hold-
right by the bedside of
h cinema in recent years,
ring if the comatose
it will ever reopen his
there is good news this
Luc Beraud's *Turle On*
Joel sails into London,
restating that there was at
on good and very much
French film made last

ad's stark, cranky comedy
writer who can't write,
from a creative
is not only richly funny
also a spry, 105-minute
about the current
d state of French cinema.
six-year period during
Beraud's writer has been
to produce anything is
skily close to the period
which the French cinema
recently been upstaged—
eened?—by the all-con-
19 vigour of the New
in Cinema.

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FT3

characters may lose themselves, or make accidental and tragic encounters, or wind back to the point at which they started.

The story of *Madame De...* goes around in so many circles that the filmgoer soon joins the characters in their moral and emotional dizziness. The film has a tragic ending—the death of the heroine—but it is a tribute to Beraud's exquisite control and sophistication that, as in all great tragedy, sentimentality is held in balance with something close to absurdity; emotional involvement counterweighted with a world-view that is wry and half-comically resigned. Indeed *Madame De...* can be enjoyed on so many levels of thought and feeling that with repeated viewings the filmgoer, let loose in his private auditorium, can pick each time a different vantage point from which to watch as the lights go down. Go and see it now at the Camden Plaza. And do not be satisfied with a single visit.

All aboard for the Nazi revival. Close on the jackbooted heels of *Marathon Man* comes another essay in movie scaremongering about the Third Reich, *The Boys from Brazil*. This new film hypothesises, like the earlier one, that there are surviving war criminals alive and well and living in South America, and woe betide modern civilisation if it tempts them out of their lair. Laurence Olivier, who was just such a tempted-out evil genius in *Marathon Man*, resurfaces here; but this time on the opposing team. Olivier wears the pristine colours of a Jewish crusader against Nazism, while his opposite number is a former concentration-camp doctor up-to-no-good in Brazil and played by that former pillar of Hollywood probity Gregory Peck.

It is Mr. Peck's plan, with help from his fellow-members in a secret Nazi society, to stage a mass-assassination campaign involving 24 65-year-old civil servants. Way these elderly citizens are about to be skittled off across the globe, far be it from me to reveal. The explanation is tolerably ingenious when it comes, but it is a long time coming, and the intervening hokum is a high price to pay for it: consisting chiefly of variously outré murder scenes, interspersed with glimpses of Peck perpetrating unspeakable experiments in a jungle laboratory while Olivier hops across continents interviewing murder victims' wives.

Mr. Peck sports a white suit, a black moustache and a fair-to-middling German accent, while Olivier sports prominent front teeth, raggedy clothes and a sing-song Jewish accent. There is also James Mason, bobbing in and out of these fancy-dress shenanigans as Peck's Nazi senior. How such a daft project ever tempted such a distinguished cast into the erts—let alone such a talented director as Franklin Schaffner (of *Patton* fame)—must remain one of the decade's more curious movie mysteries.

At the Electric Cinema, from March 18 to March 31, a season of Cuban films. Most of them are old and by now venerated classics of the Castro era: *Death of a Bureaucrat*, *Memories of Underdevelopment* both by T. G. Allen, whose new film *The Last Supper* opened in London last week—and Humberto Solas's *Lucia*, Solas's new film, *Cantata de Chile*, is also in the season, and so is a cheerful if rather dim-witted propagandist feature called *El Brigadista*, by Octavio Cortazar. Here you may see alligators caught, alphabets taught and counter-revolutionary rebels thwarted—all in the name of the Grand Design of Communism. The message is strictly optional, but the treatment has a beguiling simplicity and good cheer. Take a large pinch of salt and go and see it.

Olivier

The Fruits of Enlightenment

by B. A. YOUNG

Tolstoy called *The Fruits of Enlightenment* a comedy, but it is nearer to being a farce, and Christopher Morahan, who directs it, uses a farcical style throughout. Tolstoy's main target is the foolishness of people who believe in spiritualistic phenomena, but the play dates from 1899, 20 years after he had been converted to his private brand of Christianity, and a good many darts are aimed at the wastefulness and selfishness of the rich. Only the Master is at all decent to the peasants from his country estate who come to complete the purchase of land. The story is a very simple

one, quite conventional in outline. The Master has refused to honour his purchase agreement, but the maid Tanya undertakes to get the paper signed by setting up her boyfriend Semyon as a phony medium and so directing phenomena at the Master's show-piece séance that influences from beyond will make him sign it.

The play, however, is not simple at all. It was written for Tolstoy's children and friends to play, and consequently is fitted out with an immense number of characters so that there will be a part for everyone. The Master is given an idle son to emphasise the ways of young aristocrats,

but he has no real function, contenting himself by sitting on the touch-line, as it were, and mocking everyone else, before drifting off to see to his borzois in the coach-house. The Mistress, whose life, it seems, is passed in endless cards and piano-playing, is given an assortment of ornamental friends who just drift about long enough to disparage the servants. There are endless servants: three peasants come with the documents; a drunken ex-cook lives on the boiler in the kitchen.

Moreover, there is a considerable excess of conversation. While we wait to see the tricks that Semyon and Tanya will play at the séance, we must listen to a lot of satire at the expense of current scientific discovery, which may have seemed trenchant in 1899 but is not so now that science has progressed so much further. Talk that was witty, and characters drawn with more detail might have proved less indigestible, but if Tolstoy were really trying to write like Labiche he did not make much of a job of it. Michael Frayn has done what he can in his translation to reproduce the jokes, including the verbal ones, but what is needed now is some wholesale cutting.

Mr. Morahan's direction does keep the play afloat most of the evening all the same, enough so to enable us to visualise the effect it must have had on its early audiences, though he can't conceal the thinness of most of the characters. Semyon and Tanya (Greg Hicks and Brenda Blethyn) are a romantic couple from any trivial comedy, though they're nicely played. There are hard-working cameos from Joyce Redman, Sara Kestelman and Selma Cadell as the Mistress and her friends.

Every now and then, however, Ralph Richardson comes on as the Master, looking and sounding as if half his mind has already passed over to the other side. Whenever he is there, joy returns.



Andrew Cruickshank and Ralph Richardson

Leonard Burt

Liverpool Everyman

No More Sitting on the Old School Bench

MICHAEL COVENEY

Alan Bleasdale's staff room play is obviously written with an amount of inside knowledge. We are in the forgotten corner of a large northern comprehensive, where a crypto-fascist caretaker laments the demise of the old grammar school, with its short hair and Latin. But the crucial confusion of the play is to parallel a decline in educational standards with a growth of racist intolerance. This seems to me a false and irresponsible representation of our educational problems.

The staff room is populated by a defeated PE teacher who is also divorced and cynical; a

nodding fat lady whose female lover has died in the summer vacation; a desperately serious and overwrought deputy head who wants a baby and the easier life she no doubt deserves; an earnest art teacher, the NUT rep and apparently the best classroom performer on the staff; and a new sociology teacher who, in Philip Donaghy's beautiful performance, comes across as both an idiot and a sacrificial lamb.

The latest redeployment threat means the loss of two teachers, but any suspense surrounding that issue is lost about an excited welter of

classroom anarchy when the sociologist transfers his kids to the staff room and embarks upon a most unlikely practical lesson in master-slave characteristics.

I do not find much to admire in either the slapdash writing or the excitedly superficial discussion of racist impulses. Most memorable from an unsatisfactory evening is the sight of Mr. Donaghy arriving in the staff room with his chair glued to his backside, lighting a pipe and clutching a timetable as though nothing had happened or was about to. The director is Paul Jesson.

St. John's, Smith Square

Hanns Eisler by DOMINIC GILL

As one of Stravinsky's tersely polysyllabic muschells has it: "Hanns Eisler (1898-1962), German composer of introspective atonal and dodecaphonic music according to the doctrine of his master Arnold Schoenberg and of optimistically triadic socialist marches for the Soviet Army and proletarian choruses for East Germany."

But there is more to the kernel than that. Hanns Eisler: the most neglected, and in his teacher's opinion "one of the three most gifted" of the pupils who came to study with Schoenberg after the First War. A shadowy figure, somehow bracketed with Kurt Weill: for like Weill, Eisler is indeed best known for his collaborations with Brecht. An elusive figure, born in Leipzig, educated in Vienna and Berlin, early in life a committed communist, always a passionate socialist, who emigrated to America in the early 1930s, from where, after imprisonment for Un-American thoughts (revealed by a famous Committee among whose members was, not unspily, one Richard M. Nixon), he was deported and lived the rest of his life in East Germany.

The parallels with Weill, such as they are, are clear. But

those who press them do not commonly recognise that Eisler is a figure of comparable importance, and in many ways a much better composer than Weill. The greater part of his output, and most of his finest compositions, are virtually unheard in this country and rarely performed anywhere. His most celebrated Brecht collaboration, *The Masses Sing*, has not to my knowledge been revived since its premiere in Berlin 49 years ago. It was an irony then, though a happy one, that after so many years of silence London should present by chance two concerts devoted only to Eisler's music in the space of less than a week.

The first of these, on Wednesday at St. John's, devised and directed by David Blake (himself an Eisler pupil), was at pains to emphasise the directness of the political commitment—which "when served by musical genius and a brilliant technique, results in music which entertains while it informs, uplifts as it entertains." Just so: and why not? But how much more pointed are the contradictions. Eisler wrote for the Communist journal *Die Rote Fahne* in the 1930s—and for the "bourgeois" *Melos* too; he came

to quarrel with Schoenberg, but to the end passionately defended him. Like Brecht, he vehemently denied the duty, or the right, of the State to dictate aesthetic principles.

To his credit Eisler never overlooked the fact that simplicity may rule out complication, but not complexity—even the simplest Chopin mazurka has the most complex reverberation. It was a shame that neither of the Eisler programmes this week can include one or two of the simplest, most complex larger works: the *Ernst Gesänge*, for example, for baritone and string orchestra, or the splendid *Orchesterstücke* of 1928.

But there were—and will be this Sunday again at the ICA—many passing pleasures all the same: the little suite *Dans les rues*, an engaging pot-pourri of popular cliché, exuberant cabaret swing, sleazy dance, and wistful stillations of Intermezzo. Bratna—stamped in every bar with the Eisler trademarks of clear, clean texture, delicate colour, bold lines. Roswitha Trexler sang the early *Zeitungsausschnitte*, nicely catching their quick, caustic manners.

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Friday March 16 1979

Wilson ducks the issue

THE MOST remarkable thing about the Wilson Committee's report on the Financing of Small Firms is the recommendation of tax breaks for entrepreneurs which the committee has not had the courage to make. We like any other mixed group, do not agree about the politics, the committee lamely explains.

The result is that a "consistent feature" of virtually all the evidence received by the Committee on the subject of small firms does not get turned into a concrete proposal. It is perhaps excusable that the committee can not endorse the views of small businessmen on the level of general taxation in this country. But the committee is surely failing in its brief when it shies away from recommending specific tax cuts to help those who provide equity for small companies.

Fiscal bias

The best that can be said of this report's section on taxation is that it is written as though tax relief is struggling to get out. It mentions the essentials of such relief — losses made on capital investment in small companies should be offset against personal tax, capital gains tax on such investments should be cut, as should the investment income surcharge on small company dividends.

Of such measures it says: "It can be argued in their favour that they act directly on one of the main deficiencies of the financial system, and that they should not be regarded as a concession but as an offset to an existing fiscal bias. Reliefs exist for virtually every form of investment in financial assets other than equities."

But instead of restoring incentive to the individual entrepreneur and equity buyer, the bulk of the committee's proposals are aimed at those initiated agencies, which are now such a part of the British industrial scene. The ECID must become more responsive to small companies, as must the NRDC. The DOL should do more to help small firms, and gather more statistics about them. An FDA (English Development Agency) should be set up to match the help given to small businesses by the Welsh and Scottish Development Agencies.

Mergers and competition

CONGLOMERATE mergers, of which the Lomrho bid for SUITS is an example, have for some years posed a difficult problem both for the Office of Fair Trading, which recommends whether or not a particular deal should be referred to the Monopolies Commission, and to the Commission itself, which has to decide whether the deal is likely to operate against the public interest. Where a merger is between two companies making the same product, there is clearly a prospect of some reduction in competition in the market concerned. The task for the investigating body is to examine how significant that reduction in competition may be. The same applies to vertical mergers, where a company acquires a supplier or customer. But in conglomerate transactions, where the two companies are in different lines of business and do not compete against each other, the basis for making judgements about the likely impact on the public interest is much less certain.

Too complex

There was a period in the early 1970s when the Conservative Government became concerned about the growing number of large-scale mergers which seemed to lack "industrial logic." There was a feeling that the consequence of such deals might be to damage the performance of both the participating companies, because the combined business would be too large and too complex to manage effectively. Some of the conglomerate mergers that were referred to the Commission, such as Bowater/Hanson Trust, were dropped as soon as the reference was announced. But where the Commission has had the opportunity of studying mergers of this type, its judgements have seemed somewhat erratic.

Consultants

The lack of consistency is not surprising, because the Commission has to make very difficult judgments about, for example, the ability of a particular management team to cope with a much larger business than it had previously handled. In horizontal mergers the impact of the proposed take-over on competition can usually be assessed with a fair degree of confidence, although there are often borderline cases. Competition is a matter on which the Monopolies Commission has experience and expertise. But

and in the meantime COSIRA should be given additional financial powers.

The nearest the Committee comes to increased financial incentive, and the most interesting proposal it makes, is in suggesting a new type of investment institution, the Small Firm Investment Company. This would be an investment trust, probably quoted on the Stock Exchange, established particularly to invest in shares of small unquoted companies. The Stock Exchange would change its rules to allow this, and such a trust would not pay capital gains tax on gains resulting from the disposal of unquoted investments, or resulting from the flotation on the exchange of a previously unquoted company. The essence of the idea is that it should remove the tax problems that prevent the establishment of a quoted intermediary between small companies and the institutional investor who now makes the running in the Stock Exchange.

Experimental

The other significant proposal is that a publicly underwritten scheme should be established, on an experimental basis, to provide guarantees on loans provided by banks to small companies. The idea of a loan guarantee scheme similar to those in Holland and the U.S. has been around for some time and so far has met with a very muted response in the City. The Committee's report lays out only a very thin case for such a scheme but—presumably because it is politically acceptable to all—has decided that it might be worth a try.

It is lack of equity, and not loans, which is the main problem for the small company sector, as the Wilson Committee candidly admits. Government agencies which provide such equity, and special institutions to extract it from the big insurance and pension funds, are all to be encouraged. Yet it is clear both intuitively and from all the evidence that the Wilson Committee has received that there is no solution that rivals a tax system which encourages small people to put small amounts of money into small businesses.

It is highly questionable whether this is an appropriate role for the Monopolies Commission. Whether the managers of the acquiring company are capable of handling a proposed acquisition is a matter which, in general, can be left to the market. If they make a mistake, they will pay the penalty in the marketplace; why should their entrepreneurial judgments be vetted by a government agency? It is true that some conglomerate mergers do raise issues of competition. There are cases where the inclusion of a very large, well-financed company into an industry characterised by small producers could have a distorting effect on competition: the acquired company, backed by the financial resources of its new parent, could theoretically embark on a price-cutting policy which would drive its rivals into the ground.

Political

It is not often that these considerations apply and they do not appear to have been relevant to the Lomrho bid for SUITS. Whether this bid should have been referred to the Monopolies Commission is doubtful, but there was strong political pressure on the Government to do so; unfortunately the grounds on which Ministers make reference to the Commission often have more to do with political or trade union pressure than with any coherent policy on mergers. Not unexpectedly, the Commission did not accept the arguments that had been put up against the bid, such as the prospective loss of Scottish control over SUITS, and did not believe that SUITS was likely to be seriously damaged by becoming part of Lomrho.

The report shows that there is no bias in the Commission against conglomerate mergers, even when, as the report admits, there is some risk of detriment to the public interest. But it leaves official policy towards conglomerate mergers as uncertain as ever. Perhaps it is time for the Government to adopt an entirely neutral policy, so that only those conglomerate mergers which have a potentially harmful effect on competition are referred to the Commission.

CHINA'S MILITARY adventure in Vietnam is by no means over. But it is already showing that in foreign policy as in economic policy the China of Deng Xiaoping (Teng Hsiao-ping) is more ambitious than the China left by Chairman Mao.

The most striking feature of the operation is the strategic advantage over Vietnam that China has now obtained. China's success cannot be measured by how far the Chinese were able to advance into Vietnamese territory or by the number of dead on either side. The invasion was neither an attempt to delineate frontiers, as was China's war with India in 1962, nor the outright takeover of a neighbouring state, as was Vietnam's march into Cambodia a "couple of months ago."

The conflict was an attempt to alter the balance of power in the former French Indochina as between the Vietnamese, the Chinese, and the Russians—in other words an old fashioned colonial war sharpened by a clash of rival ideologies. Seen thus, the Chinese have won the first round hands down.

Two months ago the tide seemed to be running firmly in favour of the Vietnamese. Their army had swept through Cambodia in a display of strength that unnerved the non-Communist states of South East Asia. The armed forces of the Pol Pot regime had apparently collapsed before the Vietnamese advance and were being hemmed in against the border with Thailand. Laos was—and had been for a couple of years—under the thumb of Vietnam with a garrison of 40,000 Vietnamese troops on Laotian territory. Thus in bringing the three former states of French Indochina into a Communist *de facto* federation, the Vietnamese had achieved what seemed to them the logic of geography while removing the twin threat of a hostile China to the north and a hostile Cambodia to the west.

Important foothold

At the same time Hanoi's success seemed a substantial gain for the Russians, who had signed a 25-year Treaty of Friendship with Vietnam in July, in that it gave them an important foothold on China's southern border. It was also a major setback for China which had first allowed itself to be seen as the defender of the hated Pol Pot regime and then to have failed to have backed it.

China's achievement is to have tilted the balance of power, back in its own favour. The Vietnamese army is now grossly overstretched in defending three countries (Vietnam, Laos and Cambodia) and its economy, already under heavy strain, has had to bear the additional burden of two wars in three months as well as the destruction of the Chinese inflicted in the north. Hanoi now has to send further reinforcements to its northern border, both against the threat of further Chinese incursions and to ensure that

the Chinese fully quit Vietnamese territory.

The 120,000 troops that the Vietnamese now have in Cambodia find themselves in much the same position as the Americans once were in Vietnam—in charge of the cities and much of the countryside by day, but on the defensive at night against a hostile population. The Vietnamese underestimated the depth of traditional Khmer (Cambodian) dislike of Vietnamese rule as they did the strength of the Khmer Rouge resistance. In Laos there is the continuing irritant of the rebellious Miao tribesmen now emboldened by signs of a weaker Vietnam. The general mobilisation that Vietnam has announced is a sign of how seriously Hanoi views the military threat.

Drought and floods

Beyond this drain on Vietnam's strength there is the legacy of drought and floods in two successive years that have left all three Indochina states badly short of food. In Cambodia, Vietnam is administering a country whose economic and social fabric was turned inside out by the Pol Pot regime. Vietnam itself is torn by the resentment of the South (and particularly of the Chinese community) towards the heavy handed rule of the North since 1975.

In this situation, the Chinese hold a great deal of power over Vietnam. Having demonstrated Vietnam's vulnerability by their invasion, they are planning down increasing numbers of Vietnamese troops on the Vietnamese and Laotian border and have the option of attempting to draw them into a further battle over disputed border zones. They are adding to Vietnam's problems in Cambodia by supplying the insurgents there. The seem to be adopting similar tactics in Laos to undermine the Pathet Lao regime.

This turning of the table is no chance stroke of fortune. It seems clear that the Cambodian army when faced with Vietnam's invasion carried through a policy of dispersal that had been carefully worked out with the Chinese in advance and which now enables the Cambodians to harass the occupying Vietnamese troops. Khmer insurgent groups appear to have an extensive wireless link up with each other. In attacking the Vietnamese from one flank, the Chinese thus acted in the confidence that their enemy was under pressure on the other.

The Chinese were remarkably successful in limiting the repercussions of their actions elsewhere in the world. In signing a Treaty of Friendship with Vietnam, the Russians had judged that it would deter any Chinese attack. In spite of Deng's warnings in the U.S. about teaching Vietnam a lesson, the most common view in Washington, Paris and London before the invasion was also that the Chinese would not want to risk their new friendship with the West or to be side-

tracked from their ambitious industrialisation programme by a military adventure.

The Russians and the West proved wrong. The Chinese had carried their analysis one stage further. They correctly judged that after Deng's visit to the U.S., they could count on western nations not carrying their protest to a point that jeopardised the new dialogue and the trade prospects that went with it.

The spin off from China's breaking out of its past isolation and invoking western help in its industrialisation was to leave China less open to Russian reprisals. The invasion of Vietnam was the first occasion on which the Chinese tested how far their new relationship with the West had raised the threshold beyond which the Russians would attempt punitive action against them.

The result was satisfactory. The Russians hurried and puffed, but they were not willing to endanger the SALT negotiations in order to support Vietnam in a quarrel with China. The Chinese could thus conclude that they might count on at least some western protection in the event of the determination of Nato members to approach Moscow and Peking with even handedness.

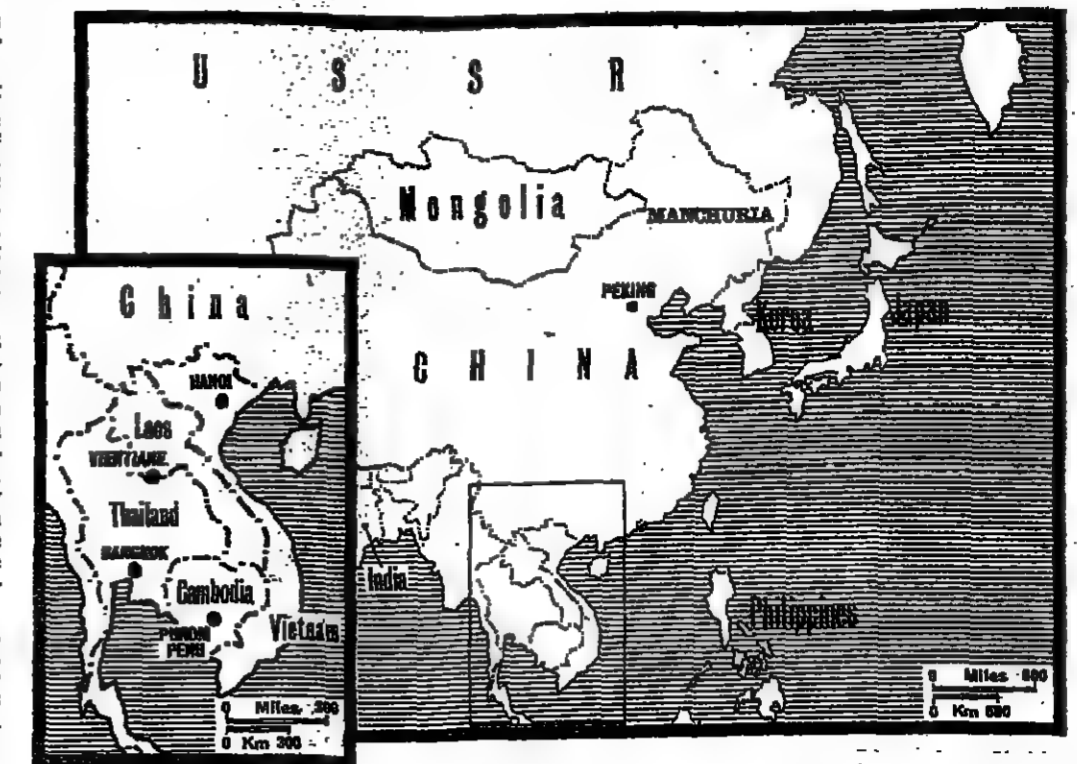
The recent agreements the Chinese have made with the West serve two purposes. They provide China with the technology it needs to modernise its industry. At the same time, through establishing diplomatic relations with the U.S., signing a Treaty of Friendship with Japan, and concluding trade deals with the major EEC coun-



Ping-pong diplomacy with a difference: how the cartoonist of Frankfurter Allgemeine Zeitung saw the Chinese incursion into Vietnam.

tries, the Chinese are trying to involve the interests of as many nations as possible in their development. Beyond that the West is inevitably being drawn into a "complex view of world affairs" of little more than academic interest while China remained aloof from the world. But over the past year the Chinese have begun to practise what they preach. Thus Hua Guofeng's (Hua Kuofeng's) visit in the summer to eastern Europe and then Tehran was a calculated challenge to the Russians on their very doorstep.

In Vietnam, by taking military action, Deng showed what response he thought was appropriate to defeat Russia and its allies. The fact that the



Americans are now assembling a fleet in the Gulf and the Indian Ocean and taking a tougher stance in the Yemen against a Russian-backed regime will seem in Peking as evidence that the U.S. has begun to see the light. The U.S. perspective is in fact of course very different from that of China. But the two views converge at points that pose very real difficulties for the Russians.

Neither the Russians nor the Vietnamese can afford to let China's action in Vietnam go unchallenged. The heroes of Vietnamese history are those leaders who have most successfully stood up to Chinese bullying. But with Vietnam's economy in such difficulties and its army so overstretched, its options are limited. It is not going to back down from the *de facto* Indochina federation it has created by restoring to Cambodia or Laos their former independence. It will certainly seek closer alliances in the region with those states, like India, Indonesia, and possibly in the Philippines, which most fear the expansion of Chinese influence. It will want to reopen doors to the U.S., Japan, the EEC, and the ASEAN countries—anybody in fact who will listen—as a counterweight to Chinese power. But in the last resort Vietnam is going to be increasingly dependent on the Russians.

Having seen the Americans so ensnared in Vietnam, the Russians and the eastern European countries will be wary of following suit. But the Treaty of Friendship and Vietnam's membership of Comecon have already drawn them some way in that direction. Indochina has become the region in which the Chinese—Russia's principal adversary in the world, and potentially a more dangerous one than the U.S. in that there is no policy of détente with China—have thrown down the gauntlet to Russian power.

It would be difficult for the Russians to counter in these areas where China is vulnerable.

A swift hammer blow against Manchuria for instance—the heart of Chinese industry—will become more difficult as the Western stake in China's industry increases. Backing Taiwan against China or intervening on Vietnam's behalf in the dispute over ownership of the oil bearing islands of the Spratly and Paracel archipelago risks unpredictable international repercussions. The Russians will certainly want to strengthen their alliance with India—Mr. Kosygin has been attempting to do so during his visit to Delhi—and to widen the anti-China front.

But ultimately it is in Indochina that the Sino-Soviet quarrel will come to a head. If the Russians are to demonstrate that they can stand up to the Chinese, they need to do so through support of Vietnam. In the long run that probably means building up Vietnam to a point at which the Chinese feel it is a threat to their security. It would involve a larger aid bill than the Soviet economy can afford. It could easily involve pressing the Vietnamese for Russian naval facilities at Cam Ranh Bay as a psychological blow to the Chinese and to ease the problems of equipping the Russian Far East fleet.

For China as well, the long-term cost of the military adventure in Vietnam is likely to be larger military expenditure. Not only did the conflict show up deficiencies of equipment, but the price of teaching the Vietnamese a lesson is preparing for the day when the Vietnamese might want to do some teaching themselves. It is a fair guess that one of the reasons for the current slowdown in China's industrialisation plans is that defence has moved a notch higher in the list of China's priorities.

Soviet aid bill

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MEN AND MATTERS

Calling upon Brother Windsor

After his recent exploits, the appearance of Prince Charles on a trade union platform should not occasion too much surprise. He is something of a record for any trade union to invite one of the royal family to its proceedings, not least because of royalty's symbolic identification with the moneyed class.

The Prince, already being dubbed "Brother Windsor" by his hosts, will make a speech on the occasion of the annual conference of the Iron and Steel Trades Confederation at the end of June, when the Iron and Steel Trades Confederation holds its conference.

A re-play of his remarks on the failings of British industrial relations management might go down well. But I gather Prince Charles will probably be invited to talk about unemployment—especially youth unemployment.

This reciprocal gesture of detente between the steelworkers and Buckingham Palace



Upping the price

The man who advertised "Nothing at all for \$1" in a U.S. magazine a few years ago was amazed when 500 people replied. He sent them exactly nothing. Anxious not to follow such a glib notion to its logical conclusion, he has now launched a "Nothing Card." As its name indicates, this is worth nothing. Guaranteed for life, honoured everywhere to no avail, the card resembles in its appearance all other credit cards. But presentation of the card, according to the advertising, together with sufficient cash, will enable one to buy anything at all.

Nothing in life is free, of course. And the price of more sophisticated forms of nothing is more than that of plain nothing at all. The card costs \$5.

Bootle blockade

In the light of Mahood's adjacent whimsy, what could be more appropriate than a true story I received yesterday from a reader in Halifax. He had been doing the VAT returns for a friend, who recently died, and tele-

phoned the Leeds VAT office for instructions. This is what he was told:

"When a VAT member dies in Leeds we transfer him to Bootle. We give him a new address. But they cannot do this at present as the computer is on strike. So all in the form you have received, but do not post it as the computer in Southend is also on strike. Listen to the news and send the form three days after the strike ends."

My correspondent says he is pondering what new address his former friend will be given by Bootle. Perhaps the computer will merely write "Discharged Dead" across the records, as was formerly done in the Royal Navy when a man was lost overboard.

Off course

French industrialists keen for their staff to learn English may be perturbed by the title of a course in "Anglais des affaires" advertised in *Le Monde* by the Berlitz. The insertion is headed boldly "Business Crash."

Dubious origins

The Arabs have their own ideas about devolution in Britain, as Clive Godden, MK, Electric agent in Oman, discovered earlier this week. After flying into Kuwait for the opening of a new factory, he rashly tried to obtain an on-the-spot visa.

This was peremptorily refused by the Kuwait immigration officials. Not only that; Godden was then shunted from office to office for over five hours, and at one point threatened with being put under armed guard. He was eventually rescued by someone from MK.

The trouble arose, it seems, because Godden was unwise enough to put his nationality down as "English" on the visa application form.

"If you were British," the immigration officer kept telling him, "we could give you a visa."

Changing scenery

Cyril Stein's Ladbroke Club is taking the Iranian troubles calmly, I am glad to report. I have just received my invitation to celebrate the Persian New Year, or, as the peacock-blue card has it, "to take part in Iranian Festival Week," which ever sounds most welcoming.

What this boils down to, the club tells me, is "a special Iranian menu, and we'll have some Iranian decor, obviously... It's nothing great." The view is that some of the Iranian members "need cheering up just now."

Even if the club manages to stimulate some bonhomie among the exiles, I fear their recklessness at the gaming tables will not be quite what it was in days gone by.

Still cleaning up

The Duchess of Bedford, having displayed her financial instincts at Woburn Abbey and in the pop-autobiography arena, has a new money-making venture. She has started a laundrette in Meribel, the French ski resort. "I'm opening a laundrette because it does not need any staff," says her Grace. "All I have to do is empty the coin machines."

Getting it right

A possibly apocryphal quote from a Russian tourist: "You English have got a long way to go before you have a planned economy equal to ours. At home, if no bread is delivered to the shops, no butter is delivered at the same time."



"I didn't want to be a burden, but what good is my pension nowadays?"

When you've paid into a pension to make yourself self-sufficient in retirement, it is heart-breaking to have to ask for help.

But what else can this gentleman do? He couldn't have foreseen that the pound in his pocket would go on being worth less and less with every year that passes.

People like this deserve our help. People who have stood on their own two feet all their lives. People who have planned and saved for their old age. Inflation is no fault of theirs, yet they suffer for it.

At the DGAA we do all we can to help people like this. They want to stay on in their own homes, so we help with allowances. Only when they can no longer cope do we find them a place in one of our Residential or Nursing Homes.

However we help we do so with tact and sympathy. Because we really do understand. Will you please help us to carry on? With a donation, or a legacy, too, perhaps?

DISTRESSED GENTLEFOLK'S AID ASSOCIATION

Village Gate House, Village Gate, Kensington, London W8 4AQ

"Help them grow old with dignity"

The foreign policy of Mr. Pym



Mr. Francis Pym.

Freddie Mansfield

THERE IS no longer much doubt about who will go to the Foreign Office if the Conservatives win the election. Mr. Francis Pym, Shadow Foreign Secretary, almost by accident, it was the illness of his predecessor, Mr. John Davies, which led to his appointment less than six months ago, (et such is his position in the party that the job must be his if he wants it. He does.

British

The general approach turns out to be quite remarkably traditional — not so much traditionally Tory as traditionally British. There is, perhaps, one major exception which we shall come to later, and that is southern Africa. By broadly speaking, British foreign policy is set out by Mr. Pym in a series of post-war lines. It is pro-peace, pro-the U.S., pro-the Atlantic Alliance, pro-the Commonwealth, pro-defence and pro-trade. The only post-war time Minister to have distinguished himself in any way from that is Mr. Edward Heath, who was now judged by some Tories as many officials to have been too far towards Europe the expense of the relationship with the U.S. Mr. James Callaghan would probably accept a Pym approach, almost entirely, were he not inhibited by the Tories and the Labour Party. The commitment to America, deliberately reasserted, in a speech last week Mr. Pym said: "no part of the world would

it be sensible for this country, or even Europe as a whole, to conduct affairs except in concert with the U.S. . . . I should like to place on record today the determination of the next Conservative Government to continue and foster Britain's traditional bonds with the United States."

There is no doubt either about the commitment to Europe. In a speech just before Christmas Mr. Pym declared that the arguments for Britain staying in the European Community are now "stronger than ever, stronger even than they were in 1975" — the year of the referendum.

Even the Commonwealth is receiving new praise. In a speech last Monday Mr. Pym suggested the possibility of "the larger Commonwealth countries each appointing a Minister specifically responsible for Commonwealth affairs." He also floated the idea of a British Minister of State "with special responsibility for Commonwealth matters and for liaising personally with Commonwealth Governments" — in other words, someone not far short of the old Commonwealth Secretary.

All that, you may say, is excessively old hat. It even sounds a bit like Harold Wilson in the 1960s. Yet it is not entirely what one might have expected from today's Tory Party. There has always been a strand of anti-Americanism — or perhaps straight, jealousy — in British Conservative attitudes. Today it is stronger than ever, although it may be more precisely expressed as an intense distrust of President Carter and, even more so, of his Ambassador to the United Nations, Mr. Andrew Young. There is also some dislike of the Commonwealth, especially the new Commonwealth. Even Europe is less prized than it

used to be. Indeed, Tory thinking about the world has been becoming quite as disparate as that of the Labour Party.

What seems to have happened now is that Mr. Pym has re-established the old principles, and so far he has done so without challenge. The one deviation from the policies of most post-war governments concerns Southern Africa. Mr. Pym does not believe that there is anything to be gained from publicly putting pressure on South Africa to end, or even reduce apartheid, or from opposing the internal settlement in Rhodesia. He thinks that Southern Africa is strategically important and that the public pressures should be taken off. A Tory Government would go to the Americans and say just that. If necessary, it would say the same to the Commonwealth — there is to be a Commonwealth Prime Ministers' Conference in Zambia in August, by which time the Tories could well be in office.

Conviction

It remains to be seen how that would work in practice. It should be said, however, that Mr. Pym appears to be acting not from tactical party considerations, but from conviction. His stance on Southern Africa may have helped his position in the Tory Party, but that does not seem to be why he has taken it.

There must also be a reservation about the practicality of the Pym policy on Europe. It was noticeable in the House of Commons this week when Mr. Callaghan returned from the summit meeting in Paris that Europe is now an issue on which

the bulk of the Tory Party is on the defensive and the Labour Party more and more united. It is not that Mr. Callaghan has won the intellectual argument. In fact, in practical terms it is far from clear that either he or Mr. John Silkin, the Minister of Agriculture, have achieved anything at all. But they may well be winning the emotional argument in Britain. In those circumstances it may be hard for the Tories to say that the way to reform the common agricultural policy and the budgetary contribution to the Community is to be nicer to the Europeans. At the very least, it puts a heavy premium on the Europeans being nice to us.

Nevertheless, the guidelines have been laid down and one must assume that a Tory Government would try to stick to them. There is also a deeper rationale. The reassertion of faith in the Anglo-American relationship has been made not because America is believed to be strong, but because it is feared to be weak. Mr. Pym appears to have little more confidence in the general policies of the Carter Administration than anyone else in the Tory Party. Apart from his criticisms of U.S. policy on Southern Africa, he has doubts about SALT, doubts about the Middle East and doubts about the American willingness any more to play a world role. Where he differs from many of his colleagues is that he does not believe that this is the time to say so in public instead it is the time to start rebuilding fences — to draw America out from itself.

There is, too, perhaps a deliberate attempt to cultivate the Americans in order to secure American support for a future generation of nuclear weapons. Where Mr. Pym also differs from many of his Tory and

Labour predecessors is in no longer seeking to rely mainly on the special relationship. The new special relationship would be not between the U.S. and Britain but between the U.S. and Europe. Britain might still have a special role to play: for example, in the Commonwealth or in the Gulf. But the role would be played as part of a concerted western alliance.

However much one may seem to have heard that idea before,

it may be that this time there is something in it. Many of the old rivalries between Europe and the U.S. have disappeared. There is no reason on the face of it why they should not co-operate as more or less equal partners in all except the strategic military field. The obstacle remains the continuing misunderstandings between Europe and Britain.

One may also look at the question the other way round.

What will happen if the attempt at greater alliance co-operation is not made? America will perhaps continue to weaken and Europe will continue to quarrel among itself rather than to pool its foreign policy resources. There could scarcely be a more obvious invitation to the Soviet Union to go on with a policy of extending its influence.

Yet one returns inevitably to the state of Britain, and to the relative failures of the past. It is an article of current Tory faith that for British — and therefore western — foreign policy to be more effective, there must be an increase in spending on defence. This is not just the view of Mrs. Thatcher. It is held equally strongly by Sir Ian Gilmour, the Shadow Defence Secretary who is generally reckoned to be on the Left of the Party and who has plainly been helping Mr. Pym with his recent statements. Mr. Pym does not dissent in any way. It is being said that even the recent 3 per cent increase in defence spending promised by the Government to NATO may not be enough.

At the same time, the Tory Party is pledged to cut public expenditure and cannot be absolutely assured of securing economic growth. Any extra money for defence would thus have to be taken from spending programmes in other areas. The Tories say that they will do this if necessary, and indeed it is a prerequisite for their foreign policy. But one cannot help remembering how in the past economic circumstances have led to a revision of a government's policies, and in fact the 1970s round of defence cuts was actually initiated by the Conservatives.

As it happens, I believe that the Tories mean what they say. It is also quite probable that Mr. Callaghan himself would like to

move in the same direction of strengthening defences if he were to win the election. Certainly there are problems — such as the successor to Polaris and a new medium-range ballistic missile to be based in Europe — on which he has been deliberately sitting until the election is out of the way. Yet when one looks back at the British record, it is one of withdrawal rather than advance, and withdrawal in accordance with economic realities. It will be an exceedingly difficult trend to reverse.

Election role

It may also be the case that defence and foreign policy will play a larger than usual role in the election campaign. If so, it will be interesting to see how the public reacts. There are too many issues like Polaris that have gone too long undiscussed, while the question of Europe has been largely reduced to that of the common agricultural policy. Yet whoever forms the next government could have some early decisions to take — whether, for instance, to join the Americans and the Russians in SALT 3 or whether to sign a comprehensive test ban treaty, a decision which could, in effect, prejudice the Polaris successor.

One may also wish that it were in the nature of British politics for Oppositions to have greater access to official information. Mr. Pym may have done his homework as well as he can, but one doubts whether he is terribly well informed. His role of constitutional reformer has not yet extended to a demand for open government. The Tory instinct runs deep.

Malcolm Rutherford

Letters to the Editor

An Eastern bazaar

Mr. M. Posner
Sir—Here is a question, to which your distinguished opinion contributors might wish to apply their minds—or, at least, their search engines. Why have the oil and equity markets been so volatile in recent months? There does seem to be some objective improvement in oil prices since the 10 days of the lorry drivers' lament, and you have been at to emphasise the apparent wisdom of many private wage settlements, as well as the relatively moderate lorry agreement. But the City seems to have amplified these signs of sentiment in a way that of an Eastern bazaar, of the most mature financial life in the world.

Politics have something to do with it. And the consequences of the Ayatollah for short-term reasons in oil prices may have led—though to anyone with an analytical turn of mind it seems puzzling—markets which could expect corporate profits, a trading nation to benefit from an increasing Organisation of Petroleum Exporting Countries surplus. The chief reason, however, seems to be monetary origin—the bank's operations in the gilt market and in particular the latest and most insatiable episode in the Duke of York's repeated march and counter-march.

Anthony Harris has long held that different techniques of sales would avoid interest of volatility, and it is now held in the City that "to put on the banks' cash as a—i.e. to perform open-market operations in bills and bonds—would put right this is an antithesis controversy—I remember setting undergraduate essays in 20 years ago—and I find it hard to believe that thing would be much improved

by concentrating the whole of the induced instability at the short end of the market.

I put it to you that the authorities, egged on by the Press, have created the volatility by insisting on attempts to stabilise "the money supply" instead of "the interest rate." When the public, including City operators, experiences quite understandable changes in sentiment, and changes its liquidity preference, accordingly, the authorities refuse accommodation, and force up interest rates sharply in consequence.

Such a policy does not even ensure stability of a particular money supply indicator, because seekers of liquidity find what they want somewhere, somewhere. But it certainly moves the market sharply up and down.

Now it would be naive to call this process the "Economic consequences of Mr. Brittan's other fine spirit and subtle arguments have helped. But you and your contributors have willed the end, and have therefore willed the means. What I cannot understand is why you have done it! Long run stability in the rate of monetary growth might have a lot to be said for it, but stability month by month or even week by week in some arbitrarily chosen indicator seems to me uncalled for by any well thought out economic doctrine.

Do you accept this analysis? Do you believe that the price you have forced on us has been worth paying?

Michael Posner
Pembroke Coll. ge, Cambridge.

Samuel Brittan writes: If Mr. Michael Posner can produce a passage from my writings advocating, week by week, or even month by month, control of the money supply, I shall gladly present him with a bottle of champagne of his own choice.

During the committee stage of the Bill on February 22, the Liberals moved an amendment to bring in a proportional representation method of voting for all Northern Ireland seats. This was defeated by 72 votes to 48.

Only if the amendment had been carried would the Bill have been held up because it would have had to return to the Commons for consideration.

The conventional passage of time between the stages of a Bill in the Lords has, in fact, been waived in this case to speed up the passage of this Bill which received its third reading yesterday.

Byers,
House of Lords, SW1.

Electrifying the railways
From the Director Transport 2000

Sir, It is indeed gratifying to find Mr. S. Leslie of the British Road Federation (March 13) supporting our view that comparable criteria should be used to justify road and rail investment.

This is precisely the point we made in our evidence to the joint working party on railway electrification.

Since the Leitch Committee has recently condoned the use of cost benefit analysis for road schemes then this should clearly be the chief investment yardstick for both road and rail capital expenditure. I suspect however, that Mr. Leslie is either under some misapprehension about the present justification for railway electrification or he doesn't fully appreciate the consequences of this line of argument.

British Rail and the Department of Transport have been looking at railway electrification using a financial yardstick. As the Leitch Committee has shown, a purely commercial appraisal, which is used for railway spending, cannot be directly compared with cost benefit analysis as used for road expenditure. The anomaly of justifying road and rail investment on different bases could clearly lead to a bias in favour of one form of transport.

Thus the Leitch Committee recommended the use of cost benefit analysis for strategic studies such as railway electrification. We therefore argued in evidence to the joint working party that it should use cost benefit analysis, rather than financial appraisal, an argument which initially there was some reluctance to accept.

The effect of using cost benefit analysis is reasonably clear. While it is not incompatible that benefits derived from cost benefit analysis could be less than those derived from financial appraisal this is not generally the case. And there is no reason to suspect that railway electrification should be an exception to the general rule. It is a sample of five projects reviewed by the Leitch Committee which had been analysed using both cost benefit analysis and financial appraisal, the benefits derived from cost benefit analysis exceeded those from financial appraisal by margins varying between 39 per cent and 1,770 per cent.

So it seems probable that using cost benefit analysis for railway electrification would produce a better economic case than could be adduced for many road schemes. And clearly this could lead to a diversion of funds—some £25m a year for British Rail's highest rate of electrification—from the £470m per annum trunk road programme, a sizeable chunk of which is still devoted to new roads like the North Devon Link road which the Department of Transport can't justify even on cost benefit analysis.

Mr. G. Watson
Sir—As a Conservative of European views, Mr. Paul Hawkins, MP (March 1), shows an impressive ignorance in suggesting that the Continental Liberals he prefers to the British would not think of working in Government with Social Democrats.

Coalitions of Liberals and Social Democrats have been commonplace in northern Europe in the past 30 years. The most noted instance is in the Federal Republic of Germany, which has been governed by a Lab-Lib coalition since 1969. The results include a standard of living about twice as high as the British, and they should be too celebrated by now to be questioned in a newspaper published in Frankfurt as well as in London.

The simple truth, as Mr. John Rix (March 10) rightly suggests, is that the British people have never voted for the Labour Party, which owes its periods in Government since 1945 to an electoral system maintained with Conservative support. For so long as the Conservative Party claims to be anti-socialist must appear, to millions of ordinary people, frankly incredible.

George Watson,
St. John's College, Cambridge.

Liberalism in Europe
From Mr. G. Watson

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George Watson,
St. John's College, Cambridge.

Distilling from wood
From the Chief Executive, Economic Forestry (Holdings)

Sir—Like coal, the present economics of conversion of wood into fuels can be shown to be poor, but this is not always the case. Georgia, U.S., a state which has no oil or gas reserves and very little coal, has a forest area larger than the total forest area of the UK, and a pilot wood pyrolysis plant has been established yielding oil, gas and charcoal by destructive distillation. This project is made feasible by the existence of a large volume of low quality timber residues with no other market outlet—a situation which we may envisage in the near future in the UK when our forests suddenly begin to produce large quantities of small-sized early thinning. The case in Georgia also illustrates the fact that although world coal reserves are vast, a forest can be planned and sited where no alternative natural resource exists and in so doing employment is provided, and the local economy diversified and stimulated.

Mr. B. Hamer,
40 James Street, W1.

of trading that the property in the goods does not pass to the buyer until he has paid in full for all the goods. The buyer is then no more than a bailee in possession, and the unpaid seller can recover the goods from the buyer, or his receiver, so long as the goods have not been sold to an innocent third party purchaser.

Richard de Ste Croix,
10, Lincoln's Inn Fields, WC2.

The question of blasphemy
From Mr. W. Forbes QC

Sir—It is interesting to see that the piece by "Justinian" (February 26) on the recent House of Lords judgment in *R. v. Lemon* (the *Gay News* blasphemy case) has evoked correspondence in your columns, raising again in the public mind the whole question of the place of blasphemy in the law today, the need for such an offence and the requirements of it.

The Law Commission is now working on a consultative document on the subject for publication later in the year on which it will be seeking views from as wide a spectrum of opinion as possible. This and the ensuing consultation will be preliminary steps in the preparation of a report with firm recommendations.

W. A. B. Forbes, QC
(Law Commissioner),
Conquest House,
37/38, Jocky Street,
Theobalds Road, WCI.

Second terminal at Gatwick
From the Chairman, Gatwick Area Conservation Campaign

Sir—I would like to comment on Michael Donne's excellent article (March 5) on the third London Airport.

There certainly is bitter hostility to the proposal for a second terminal at Gatwick from groups such as ours, and virtually every local authority including the West Sussex and Surrey County Councils. The situation at Gatwick is a result of bad government over the past ten years, with difficult decisions on airport siting being postponed for short term political reasons—and this bad planning is continuing. The second terminal at Gatwick was proposed without any consideration whatsoever of the effects on the infrastructure—yet a passenger throughput of 25m is equivalent to Heathrow today. Moreover, major operators at Gatwick are absolutely adamant that a throughput of this size cannot be accommodated on one runway. No other airport in the world achieves anything like this.

We are therefore certain that if a second terminal is built it will almost immediately result in a demand for a second runway, and Gatwick will by default have become a second Heathrow. We simply do not believe that lack of land "rules out a second runway entirely."

The West Sussex County Council study indicates two possible sites, and there is no doubt that, if the situation were urgent, British Airports Authority could acquire any additional land it might need.

N. B. Mathewson,
Orltons, Ruspur, Sussex.

Floating charges
From Mr. R. de Ste Croix

Sir—I agree with your Legal Correspondent (March 8) that the recent case involving Monsanto does not alter the principles established, or at least reserved, in the *Kromagis* case: in the *Monsanto* case the relevant clause created a floating equitable charge which was void against the insolvent company's other creditors under Section 95 of the Companies Act 1948 because it should have been registered at Companies Registry.

If sellers wish to reserve the ownership in goods delivered until the buyer has paid in full, then the sensible step is to provide in the relevant conditions

of trading that the property in the goods does not pass to the buyer until he has paid in full for all the goods. The buyer is then no more than a bailee in possession, and the unpaid seller can recover the goods from the buyer, or his receiver, so long as the goods have not been sold to an innocent third party purchaser.

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From the Chairman, Gatwick Area Conservation Campaign

Sir—I would like to comment on Michael Donne's excellent article (March 5) on the third London Airport.

There certainly is bitter hostility to the proposal for a second terminal at Gatwick from groups such as ours, and virtually every local authority including the West Sussex and Surrey County Councils. The situation at Gatwick is a result of bad government over the past ten years, with difficult decisions on airport siting being postponed for short term political reasons—and this bad planning is continuing. The second terminal at Gatwick was proposed without any consideration whatsoever of the effects on the infrastructure—yet a passenger throughput of 25m is equivalent to Heathrow today. Moreover, major operators at Gatwick are absolutely adamant that a throughput of this size cannot be accommodated on one runway. No other airport in the world achieves anything like this.

We are therefore certain that if a second terminal is built it will almost immediately result in a demand for a second runway, and Gatwick will by default have become a second Heathrow. We simply do not believe that lack of land "rules out a second runway entirely."

The West Sussex County Council study indicates two possible sites, and there is no doubt that, if the situation were urgent, British Airports Authority could acquire any additional land it might need.

N. B. Mathewson,
Orltons, Ruspur, Sussex.

Floating charges
From Mr. R. de Ste Croix

Sir—I agree with your Legal Correspondent (March 8) that the recent case involving Monsanto does not alter the principles established, or at least reserved, in the *Kromagis* case: in the *Monsanto* case the relevant clause created a floating equitable charge which was void against the insolvent company's other creditors under Section 95 of the Companies Act 1948 because it should have been registered at Companies Registry.

If sellers wish to reserve the ownership in goods delivered until the buyer has paid in full, then the sensible step is to provide in the relevant conditions

Today's Events
Co. Diamond Shamrock Europe. Gough Brothers. Hall Engineering (Holdings). Noble and Lund. Interim dividends: Finance and Industrial Trust, R. Green Properties. Lake and Elliot.
COMPANY MEETINGS
Bluemel Brothers, Wolston, Coventry, Warwickshire, 11.30. Brunner Investment Trust, 20 Fenchurch Street, EC, 12.45. Cardiff Mailing, Angel Hotel, Cardiff, 12. Dewhurst Dent, Union Mill, Vernon Street, Bolton, 12. Glasgow Stockholders, 181-185 West George Street, Glasgow, 12. Harris Lebus, Winchester House, London Wall, EC 2.
PARLIAMENTARY BUSINESS
House of Commons: Private Members' motions.
COMPANY RESULTS
Final dividends: Church and



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BP moves forward on contribution from Sohio

MARGINAL ADVANCE in taxable income of £6.5m to £66.9m in the final quarter of 1978 left British Petroleum, the 51 per cent Government-owned oil group, showing £38.3m growth to £224.6m for the full year.

Lower tax helped produce a much sharper improvement at the attributable level of £140.3m to £44.4m. This followed the £22.4m downturn at nine months.

The results of Sohio, in which the group's stake reached 32.2 per cent in October, have been consolidated into the total for the whole 12 months. In 1977 this investment was only reflected according to the size of the equity holding averaging some 29 per cent.

Excluding Sohio's contribution of £152m (£29.3m) BP's income before extraordinary debits, was down from £229m to £292.4m.

Against a general slowdown in the rise of oil consumption in industrialised countries, from 2.5 per cent to 1.5 per cent, the group's crude oil sales were up from 75.7m tonnes to 89.2m tonnes of which Sohio accounted for 17.1m. Overall tonnage sales of crude, oil and chemical products and coal were up at 216.4m (175.4m), worth—after duties and sales taxes—£14.25bn (£12.18bn). Other income remained at £23.5m (£23.6m).

Earnings per £1 share are stated at 114.5p (£2.6p) for a return on average net assets of 12.6 per cent (11.2 per cent). The net total dividend is stepped up to 24.65p (£2.33p) by a final of 16.85p.

Capital spending during the year amounted to £10.9bn (£7.95bn) and the after tax profit £592.1m (£465.1m) represented a 11.2 per cent (9.6 per cent) return on average capital employed. Of the total capital outlay some £381m was spent by Sohio mainly on the continuing development of the Prudhoe Bay

HIGHLIGHTS

British Petroleum has reported a sharp rise in profits towards the end of last year as margins improved, thanks to the elimination of excess oil supplies. Lex also considers the Monopolies Commission's report on the Lounsbury-SUTS proposals which have been given the go-ahead. There is also a comment on the report from the Council for the Securities Industry on the dispute over the failure of certain brokers and bankers to get their applications in for the gilt-edged issues last month. Smith and Nephew's latest figures appear to indicate that the recovery phase is slowing down, but at Blackwood Morton the profit and loss account has moved into the black, though there is no dividend. Steetley had a tough year with only its Canadian operations standing out as a good performance. Meanwhile, Tricentrol's profits show the benefit from the flow of oil from Thistle.

sold in Alaska. In addition group acquisitions of assets by investment, amounted to £206.7m (£12.3m) primarily in chemicals. Currency movements are estimated by the directors to have reduced reported income by £42m (£55m).

Oil production from the Forties Field averaged 502,000 (414,000) barrels per day its contribution to pre-tax income was lower because dollar crude prices were under pressure for much of the year; the dollar weakened against sterling; and operating costs and depreciation were higher, the directors say.

Prudhoe Bay field production rose and by the end of the year the Trans-Alaskan pipeline was operating at its design capacity of 1.2m barrels per day of which Sohio's share averaged 579,000 barrels.

Sohio has recently abandoned the Pactex crude oil pipeline project, which would have provided an alternative means of moving Alaskan oil surplus to U.S. West Coast needs to markets east of the Rockies, and intend to charge the initial costs incurred against 1979 income.

Slower economic growth has meant that the oil industry has continued to be burdened by surplus distillation and shipping capacity and the BP refinery at Rotterdam was shut down for two months in the summer.

Some improvement in chemicals price levels in the latter part of the year was barely adequate to offset the group's increased costs. Consequently the contribution of the group's chemicals sector, was virtually unchanged at £24m (£22m) before Sohio's £10m contribution.

1978 1977
£m £m
Sales & revenue 14,278.0 12,182.8
Other income 225.5 225.8
Cost of sales 9,822.5 8,548.3
Distribution expenses 1,428.5 1,541.4
Depreciation & prov. 526.1 593.7
Interest & fin. costs 470.6 377.5
Overseas taxation 2,224.2 2,183.3
Pre-tax profit 1,107.7 1,381.9
UK corporation tax 189.0 114.9
UK petroleum tax 355.8 250.2
Net profit 592.1 356.3
To minorities 147.7 1.0
Ordinary dividends 26.3 25.3
Attributable 444.4 304.7
Preference dividends 0.7 0.7
Retained 347.4 217.1
† Sohio's results consolidated for first time. ‡ 1978 (£236m) duces and sales taxes.
So Lex

Wm. Collins rises 13% to £3.6m

TAXABLE PROFITS of William Collins and Sons (Holdings), publisher, rose by 13 per cent from £3.15m to £3.56m for 1978 on a similar increase in turnover, from £53.75m to £60.63m. And profits were struck after a £630,000 rise in interest to £1.58m against £1.23m.

At halfway the directors said that the second six months normally provided the greater part of profits and that these depended on autumn and pre-Christmas sales.

The year's earnings per 20p share are shown as 21.6p (18.8p) and the dividend is stepped up to 5.15p (4.65p) net with a final payment of 3.04p.

Mr. W. J. Collins, chairman, states that sales in the UK advanced by 20 per cent to £28m and were particularly strong in the second half. Currency sales in international markets were 15 per cent higher but when converted to sterling at the year end the increase was reduced to 7 per cent at £22m.

General trade publishing had another excellent year, he says, and the Fontana and Fontana and diary divisions achieved above average increases in sales and profits. Children's Bible and reference division with higher sales improved profitability and the book manufacturing plant continued to work at under capacity, he adds.

The strength of sterling had an adverse effect on trading profits of the international subsidiaries; in Australia the results were further reduced by the non-recurring costs of relocation, the distribution facilities and offices.

But, in New Zealand, improved sales and reduced overheads resulted in a profit compared with the loss in 1977, he says. The Canadian subsidiary, with substantially higher sales, improved profits but in the U.S.

with sales unchanged from 1977, profits were lower, Mr. Collins explains.

1978 1977
£m £m
Turnover 60.63 53.75
Trading profit 5.27 4.96
Depreciation 1.81 1.52
Interest 1.58 1.23
Share profit of associate 401 386
Profit before tax 3,559 3,149
Taxation 576 974
Net profit 2,983 2,175
Dividends 26.3 25.3
Retained 2,957 2,150

The higher interest charge for 1978 was caused by the higher level of stocks carried throughout the year together with financing costs of the new distribution centre in Australia. By the year end the high level of stocks had been reduced with the result that borrowings were less than £2m up on 1977.

Exchange losses on assets held overseas amounted to £268,000 have been charged against the 1978 results following the rise in sterling.

Figures for 1977 have been adjusted following a change in the deferred tax policy of the associate company.

comment

William Collins has done well to pick up some market share in the UK, but the recovery programme has been slowed down by a sharp increase in the cost of the effects of a stronger pound. Stocks have jumped by around a fifth to an uncomfortably high level of about £23.5m (mainly due to the new distribution centre in Australia) while unfavourable currency movements probably cost in excess of £0.5m. Nevertheless, the company managed to maintain margins and profits are 13 per cent higher pre-tax. With demand still relatively flat, the book manufacturing plant continues to be under-utilised.

and prospects for the current year must remain unexciting. However, Collins will not incur any more relocation expenses in Australia and the company should have some success in cutting back on stock levels. The Ordinary shares, at 160p, are on a p/e of 7.3 while the yield of almost 5 per cent is covered just over four times. The low tax charge puts the rating almost on a par with the publishing sector.

London Inv. Trust shows similar loss

Excluding results from its former subsidiary, BRC-Highower, London Investment Trust, incurred a similar pre-tax loss of £2.889 for the year ended March 31, 1978, compared with £2.691 previously.

The loss was before a tax charge of £5.194 (£2,725 credit) and extraordinary debits of £242,572 (£144,704).

Net asset value is shown at 0.9p (1.48p) per 5p share. As already announced, no dividend is again payable.

At the year-end, the company owned 63 per cent of BRC-Highower. This has ceased to be a subsidiary following the sale of 33 1/3 per cent of its shares to Mr. B. H. Aucott, managing director of Charles Clifford, for £1 in consideration of his agreeing to supervise its management with out remuneration for at least two years.

BRC-Highower incurred a loss after extraordinary items of £155,286 for the March 31, 1978 year, compared with a £257,706 deficit for the period from June 18 1975, to March 31 1977.

Following the changes in directorate announced last November, the new board of LIT intends to revert to the original policy of investing in a general portfolio of securities.

Those will concentrate on investment in small companies where the board considers there are above average prospects for growth.



Mr. Joseph Godber (left), chairman of Tricentrol, who yesterday announced that he will retire at the AGM in April. He is seen with Mr. James Longhurst, chief executive, who will take over the chair from that date.

Smith and Nephew up 18% to over £20m

WITH TAXABLE profits up from £5.54m to £8.42m in the last 12 weeks of 1978, Smith and Nephew Associated Companies ended the year 18 per cent higher at a record £20.54m, compared with £17.33m previously. External sales rose 8 per cent to £176.3m.

On current year prospects, the directors say that in spite of general industrial unrest in the UK it is expected that first quarter profits will be around 10 per cent ahead of the same period last year.

They expect 1979 to be another growth year. Operating profits for 1978 expanded 9.2 per cent to £22.34m, before reduced exchange losses and interest charges of £0.52m (£1.07m) and £3.54m (£3.54m) respectively. Associates' contributions increased from £1.3m to £1.8m.

A major improvement was achieved in toiletries and cosmetics, the directors report. Tax charge for the year, at £6.29m (£4.45m) excluding UK deferred tax, showed a marked increase primarily due to reduced stock appreciation relief.

Stated earnings per 10p share, before extraordinary debits of £0.3m (£0.53m) advanced 7.1 per cent from 8.54p to 9.15p—allowing for a full deferred tax provision the figure would have shown a 17.9 per cent increase to 6.79p.

A final dividend of 1.7802p lifts the total net payment to 2.6907p, compared with the previous year's 2.431p which included a supplemental 0.0245p paid with the 1978 interim. Retained profits emerged at £8.52m (£7.83m).

Net borrowings were reduced £4.7m to £25.1m at the year-end.

comment

Smith and Nephew ran into big difficulties five years ago when it was forced to make humiliating great provisions against its then new acquisition U.S. Gala. Taxable profits in the last two years have advanced by 23 and 18 per cent respectively and with the company's forecast of roughly a tenth for the current quarter, the recovery phase appears to be petering out. Admittedly currency movements have not helped but the question now must be where does S and N go from here. Certainly Gala's future seems more assured and its much reduced losses made a major contribution to the jump in toiletries

Scottish Provident bonus up

The Scottish Provident Institution has increased its interim bonus rates as from April 1, 1979 and its with-profit contracts. For whole life and endowment assurances, other than the pre-1950 "distinctive system" whole-life, the rate is lifted to £4.85 per cent per annum of the sum assured and attaching bonuses from £4.70 per cent. Under the "distinctive system" the new rate is 18p higher at £4.95 per cent per annum compound.

On the self-employed and "E" type pension plans the new bonus rate is £6.25 per cent per annum of the basic benefit and attaching bonuses compared with 56 per cent previously, while on the simplified pension investment funding plan the rate is 106 per cent of guaranteed increment during scheme years commencing in 1978—5 points higher than the previous rate.

The company's claims bonus scale, payable on death or maturity claims remains unaltered. This was last revised at the beginning of 1978. All maturity projections by the company will be based on these new interim rates.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-Total div. year	Total last year
British Petroleum	16.28	May 17	15.36	24.68
Wm. Collins	3.09	May 4	2.55	5.15
Coronet Industrial	0.4	April 2	0.45	0.4
Courtesy Pope	1.2	May 8	1.3	—
HTV	0.5	May 18	1.4	0.5
Norvic Secs.	0.8	May 4	5.6	9.2
Refuge Assur.	6.2	June 6	2.87	3.63
Sale Tiley	2.94	May 10	0.51	1.75
Second City	0.58	May 15	1.82	2.69
Smith and Nephew	1.78	April 26	3.97	7.36
Steetley Co.	4.47	—	0.66	1.82
Tricentrol	0.84	May 30	2.37	4.13
James Wilkes	2.83	July 4	3.33	7.48
Wolsley-Hughes	3.86	May 9	0.79	1.54
Vite Catto	1.54	—	—	—
Harmony Gold	5.8	—	—	—

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Includes supplemental 0.0245p paid with 1978 interim. § For 15 months.

Tricentrol over double but below expectations

WITH RECORD performance in all but one division, Tricentrol, the British controlled international oil, gas and minerals exploration group, more than doubled taxable profit from £3.63m to £8.01m in 1978. Even so this was below the directors' earlier expectations.

Of the total £1m, compared with £0.23m came in the last three months.

A decision to drill water injection wells ahead of schedule, caused slower growth in production from the Thistle Field than anticipated. While this cut 1978 profits higher world oil prices and later attainment of peak production should increase the value of the oil in the ground, Mr. Joseph Godber, MP, the chairman, explains. He looks to the future with confidence.

Based on a 50 per cent recovery rate independent oil recoverable reserves in the Thistle Field lower at 490m barrels, against the previous estimate of 525m. This resulted in some £1m increase in depletion charges for 1978.

With Tricentrol Oil Corporation now producing oil and gas in the UK, it showed a £4.21m operating surplus (£77,000 deficit) on turnover of £14.39m (£11.3m). This company has, for the first time, applied to the capacity of operator, for itself and two multi-national consortia, for further blocks in the North Sea bidding.

The commercial side of the industrial subsidiary performed

well with the automotive division's profits reaching £2.2m (£1.58m) and the trading side showing an advance from £0.44m to £0.65m.

Group tax, with the deferred element treated in line with SSAP 15, was up from £0.68m to £2.33m for earnings per 25p share 14.9p (8.3p) basic, and 14.1p (8p) fully diluted. The net total dividend is raised to 16.75p (1.33p) by a 0.8375p final.

Profits in North America, down from £2.41m to £2.31m were depressed partly as a result of government action in denying the company markets for its substantial shut-in gas reserves in Canada and through increased borrowing costs, the chairman says. In addition the strengthening of sterling cut some £0.26m from the surplus this time.

1978 1977
£m £m
Turnover 141.335 94.811
Operating surplus 9,021 4,486
Research expend. 110 74
Head office costs 455 440
Interest payable 326 460
Int. receive 183 699
Extraordinary debits 358 550
Pre-tax profit 5,011 3,047
Tax 2,378 1,580
Net profit 2,633 1,467
Loan stock interest 5.88 2,981
Dividends 681 438
Retained 5,020 2,593

The group has maintained a substantial land bank in the region valued at £10m, which provides opportunities for the future, Mr. Godber says. On the continent of Europe Tricentrol BV fell into a £395,000 loss, against a 1976 profit, in another year of severe trading

conditions, which continue. More important reviews are now in hand.

Mr. Godber himself will step down as chairman at the annual meeting. His place will be taken by Mr. James Longhurst, who will continue as chief executive.

Proposals for the introduction of a profit-sharing scheme by the group are to be put to members at an EGM to be called shortly.

comment

Profits from Tricentrol's interest in the Thistle Field took a bit of a knock in the final quarter due to its decision to slash 75m barrels from estimated recoverable reserves. As capital costs related to the field are depleted on a unit-production basis the drop meant that an extra £1m in depletion costs was charged against profits in the final period.

Elsewhere, margins in the automotive division slipped slightly but the UK trading margins were a little higher. Tricentrol B.V., the European trading division moved into the red but this is being restructured with an additional equity injection of some £1.3m and borrowings have been rearranged. The group has also partially refinanced its Thistle development via a £80m facility—£1m of which has been drawn down—and the two-year moratorium on capital repayment has given the group cash breathing space. The shares dropped 2p to 186p yesterday giving a yield of 1.4 per cent and a fully diluted p/e of 13.1.

BAT looks for moderate earnings rise but warns on exchange rates

A MODERATE increase is expected in the net attributable profit of BAT Industries in the current year. But in making this forecast at yesterday's annual meeting, Mr. Peter Macadam, chairman, warned of the impact of exchange rates on the group's earnings.

He told shareholders that any forecast consolidated in sterling terms could be radically affected by changes in currency parities.

Earlier in his statement he pointed out that if the pound had been at the same level at the end of the financial year as it was at the beginning, group operating profit, translated into sterling, would have been as much as £24m higher. The operating profit, as already reported, was in fact 5 per cent up at £295p, and taxable profits came out at £433m, against £416m, following a second-half upturn. After increased tax charges net attributable profit was down from £235m to £219m.

Mr. Macadam said interest paid by the group will increase at a greater rate than profits. This was partly because of acquisitions and investments, and partly because of higher interest rates. Last year the interest charge rose from £27m to £56m.

On tax he stated that he did not see any significant change in the overall effective rate of group taxation.

He said that tobacco sales volume continued to grow at about the same buoyant rate as last year. Costs were increasing but a special effort was being made to improve efficiency. Price competition, intensified by the depreciated dollar, was an adverse factor in export markets but he expected an overall increase in operating profits from the division.

International stores were making some recovery and retail in the U.S. had a good Christmas season with Saks continuing its upward trend. An improvement was expected from Gimbels. Profits from this division should improve, said Mr. Macadam, but will not yet reach an acceptable level.

Significantly increased profits were expected from the paper division. Appleton's performance was better than foreseen at the time of acquisition and Wiggins Teape was also forecast to push up profits.

Mr. Macadam added that the cosmetics side was improving its performance and the outlook for

operating profits was encouraging.

Good premium for Applied Computer

The market value of Applied Computer Techniques, the Birmingham based computer services group, almost doubled in the first day's trading on the Stock Exchange's unlisted market yesterday.

Ten per cent of the equity, roughly 252,700 shares, was placed earlier this week at 99p with private clients of sponsoring merchant bank, Singer and Friedlander, broker to the company. Greiverson, Grant and Dunbar, a small banking operation which shares a common director with ACT.

The opening trading quotes were 150p-155p but the price quickly leapt to a peak of 185p. It settled back later in the day to around 150p at the close.

Some 300,000 shares changed hands and vendors—who had earlier raised around £250,000 by the placement—sold an additional 170,000 shares.

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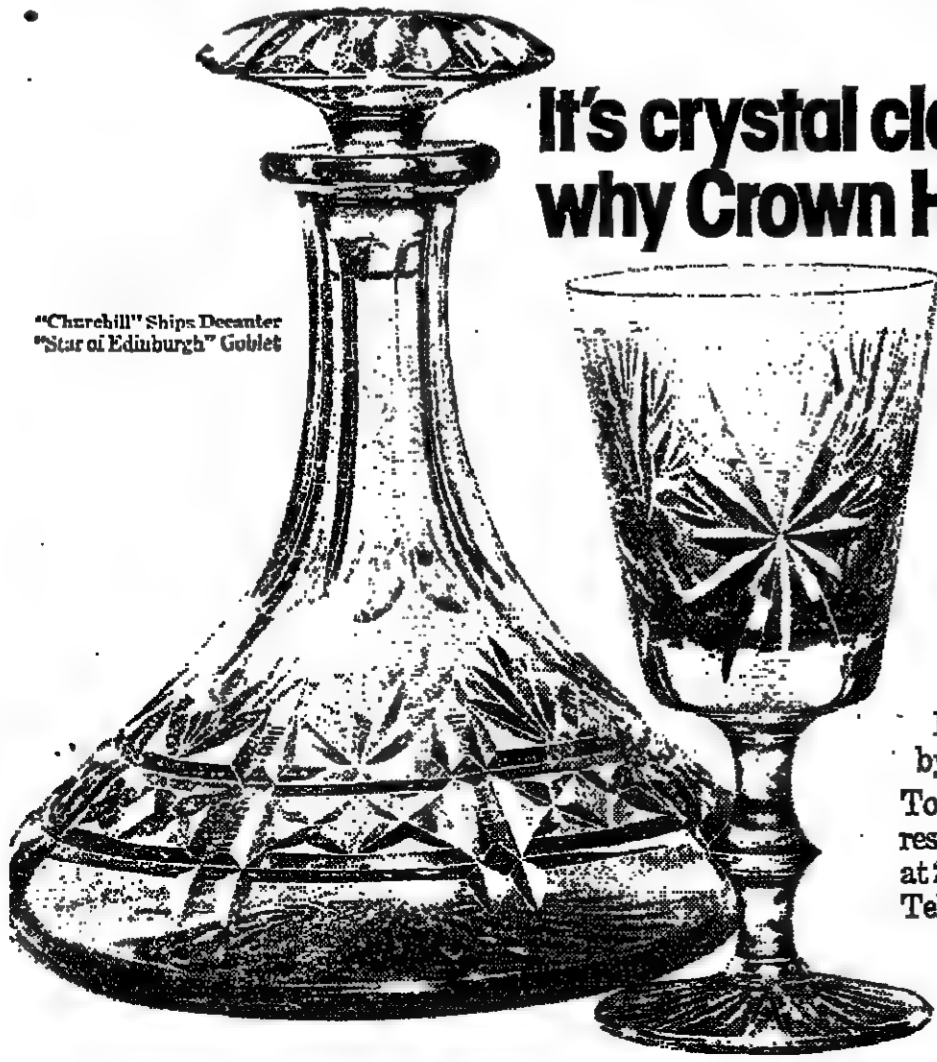
RESULTS FOR THE YEAR 1978

	1978 £,000	1977 £,000
Turnover		
UK	108,730	103,189
Exports from UK	24,564	21,693
Overseas	117,004	114,496
	250,307	239,378
Profit before tax		
UK including exports	17,849	20,690
Overseas	5,345	5,979
	23,194	26,669
Interest payable less investment income	3,334	3,170
	20,360	23,499
Taxation	6,026	5,380
Profit after tax	14,332	18,110
Minority interests	270	249
Preference dividends	12	12
Profit attributable to ordinary shareholders (before deducting extraordinary items)	14,050	17,849
Extraordinary items	1,614	4,377
Earnings per ordinary share		
—before taxation	46.28p	53.79p
—after taxation	32.64p	41.61p
Ordinary dividend	7.26257p	6.505198p
Capital expenditure	£19,298,000	£15,655,000

- Group profits affected by world economic conditions.
- Significant improvement in Canada.
- £19.3 million capital expenditure for future growth.

Copies of the full annual report and accounts can be obtained after April 2nd 1979 from The Secretary, The Steetley Company Limited, PO Box 8, Workson, Notts S81 8AF

STEETLEY



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مكتبة الأمل

DEREK CROUCH LIMITED

Preliminary Announcement
of Results for the year Ended
31st December, 1978

	1978 £'000	1977 £'000
Turnover	42,790	30,854
Earnings before tax	2,822	2,467
Taxation	1,464	1,215
Extraordinary items	15	(10)
Dividends	375	336
Earnings retained	968	926
Earnings per share	14.00p.	12.91p.

DIVIDEND: An increased final dividend of 3.111p. per share (maximum permitted) is recommended making a total of 4.3982p. for the year against 3.9387p. for 1977.

The Annual General Meeting will be held at the Great Northern Hotel, Peterborough, on Thursday, 5th April, 1979, at 12 noon.

The full report and accounts will be posted to shareholders on Thursday, 15th March, 1979.

Head Office: Peterborough, PE6 7UW

BERISFORDS LIMITED

Manufacturers of ribbon, labels, trimmings,
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Year ended 15th November

	1978 £	1977 £
Group turnover ...	8,578,000	7,442,000
Profit before tax ...	1,153,000	1,035,000
Earnings per share ...	26.8p	22.9p
Dividend per share ...	2.86p	2.44p

John F. Sebire, O.B.E., Chairman, reports:

- ★ Exports increased by 20%
- ★ Major capital expenditure planned for 1979
- ★ Satisfactory start to current trading year
- ★ Excellent industrial relations.

Copies of the Report and Accounts may be obtained from:
The Secretary, Berisfords Ltd., P.O. Box 2
Congleton, Cheshire CW12 1RF

UK COMPANY NEWS MINING NEWS

Barclays hopes to see bad debt reduction

In the decade to 1977 Barclays Bank wrote off an average of about £18m a year in bad debts, says Mr. Anthony Tuke, chairman, in his annual statement.

This represents 2.3 per cent of all the money lent by the group at the end of the last year which was the first in which the clearing-banks moved towards greater disclosure on accounting. Mr. Tuke says the figure can be regarded as acceptable, as it covers some of the most difficult years to the field of lending money that any of us can remember.

The accounts show that the total provision last year against bad and doubtful debts was down £43.8m at £400m. Mr. Tuke adds that the group hopes to see a reduction in the percentage in the future.

Barclays' pre-tax profit exceeded £10m last year. Turnover was more than £300m and outstanding balances over £300m. Mr. Tuke says they try to assess Barclaycard as an independent business with its own capital base.

The profit compared with losses averaging something like £1m a year during the first few years of its existence.

As to bad debts on the Barclaycard side Mr. Tuke points out that as the turnover has grown the percentage to total lending has decreased—from 1.3 per cent in 1975 to 0.45 per cent in 1978.

He adds that this is by no means an unacceptable figure for unsecured personal lending. The group feels that the major development of Barclaycard is still to come, and that it will play a very important part in retail banking during the next ten years.

On the international side he explains that the group is continuously spreading its risks mainly by investing in countries with a solid base of political stability. In that connection they have agreed to acquire all the capital of American Credit Corporation for \$197m, subject to Federal Reserve bank permission.

The bank also expanded in Europe, particularly in the EEC. Mr. Tuke advocates joining the European Monetary System which, although he says there are practical, political and economic problems, would aid monetary stability.

Meeting 54 Lombard Street, EC, April 11, 2.30 pm.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are in the form of cash or in the form of shares.

Company	Date
Barclays Bank Ltd.	Mar. 21
Bank of England	Mar. 21
Bank of Ireland	Mar. 21
Bank of Scotland	Mar. 21
Bank of Wales	Mar. 21
Bank of Cyprus	Mar. 21
Bank of Greece	Mar. 21
Bank of Italy	Mar. 21
Bank of Spain	Mar. 21
Bank of Portugal	Mar. 21
Bank of France	Mar. 21
Bank of Germany	Mar. 21
Bank of Netherlands	Mar. 21
Bank of Belgium	Mar. 21
Bank of Luxembourg	Mar. 21
Bank of Switzerland	Mar. 21
Bank of Austria	Mar. 21
Bank of Czech Republic	Mar. 21
Bank of Slovakia	Mar. 21
Bank of Hungary	Mar. 21
Bank of Poland	Mar. 21
Bank of Yugoslavia	Mar. 21
Bank of Bulgaria	Mar. 21
Bank of Romania	Mar. 21
Bank of USSR	Mar. 21
Bank of China	Mar. 21
Bank of India	Mar. 21
Bank of Japan	Mar. 21
Bank of Korea	Mar. 21
Bank of Taiwan	Mar. 21
Bank of Hong Kong	Mar. 21
Bank of Singapore	Mar. 21
Bank of Malaysia	Mar. 21
Bank of Indonesia	Mar. 21
Bank of Philippines	Mar. 21
Bank of Thailand	Mar. 21
Bank of Vietnam	Mar. 21
Bank of Laos	Mar. 21
Bank of Cambodia	Mar. 21
Bank of Myanmar	Mar. 21
Bank of Sri Lanka	Mar. 21
Bank of Maldives	Mar. 21
Bank of Brunei	Mar. 21
Bank of Brunei Darussalam	Mar. 21
Bank of East Timor	Mar. 21
Bank of Timor-Leste	Mar. 21
Bank of East Timor	Mar. 21
Bank of Timor-Leste	Mar. 21

But a spokesman at Consolidated Gold Fields, which holds 46.8 per cent of Mount Goldsworthy, yesterday denied that any plan had been agreed which excluded the group from the future development.

It has been suggested in the Australian press that Japanese interests would pay AS25m (£13.7m) for a 40 per cent stake in a new venture, leaving Utah Development with 40 per cent and MIM Holdings with 20 per cent. The present stake of Utah in Mount Goldsworthy is 33.3 per cent, and that of MIM is 20 per cent.

But some sort of arrangement along these lines is not to be ruled out in the future. It has been the consistent aim of the Mount Goldsworthy partners, first, to extract from the Japanese a firm buying commitment and, second, to attract Japanese finance.

If Japanese finance is forthcoming in the form of equity capital, then the existing shareholdings would in any case have to be diluted and it is not a foregone conclusion that all the three members would wish to retain a stake.

In recent years numerous proposals have been canvassed both in talks between the Japanese mills and the Mount Goldsworthy partners and solely among the Mount Goldsworthy partners.

The issue of future ownership has emerged partly because of the changed atmosphere in the iron ore and steel industries.

In 1976 it seemed that the hopes of bringing Area 'C' to production had been dashed by the signing by the Japanese steel mills of contracts with Hamersley and Mount Newman, the two largest Western Australian producers, for expanded tonnages.

Later the recession in the steel industry apparently eliminated thoughts of bringing in new iron ore capacity.

But in Sydney last month, a

Goldsworthy in new mine talks

BY PAUL CHEESBROUGH

THE PACE of discussions has quickened between the joint ventures at the Mount Goldsworthy iron ore operation in Western Australia and Japanese steel mills about a new mine at Area 'C' 200 miles south of the existing mine.

Fresh urgency has been injected into the long-running talks by the Mount Goldsworthy partners because reserves at the present mine site are running down and could be exhausted by about 1981.

But a spokesman at Consolidated Gold Fields, which holds 46.8 per cent of Mount Goldsworthy, yesterday denied that any plan had been agreed which excluded the group from the future development.

It has been suggested in the Australian press that Japanese interests would pay AS25m (£13.7m) for a 40 per cent stake in a new venture, leaving Utah Development with 40 per cent and MIM Holdings with 20 per cent. The present stake of Utah in Mount Goldsworthy is 33.3 per cent, and that of MIM is 20 per cent.

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But in Sydney last month, a

speech by Mr. Saburo Tanabe, vice-president of Nippon Steel, signalled the possibility of new mines to meet growing Japanese demand in the medium and longer term. Within that context, Area 'C' development looks more likely.

The Mount Goldsworthy partners have in any case realised for a long time that the chances of bringing Area 'C' to production diminished the longer the gap between the running down of the existing mining area and the opening up of a new facility.

Mount Goldsworthy is at present losing money—the Gold Fields share of the deficit in the year to June 1978 was £43m, and Utah, as the marketing agent for the mine is currently seeking an interim "hardship" increase in prices from the Japanese.

The mine's price negotiations formally start in April 1980, and are out of phase with those of Hamersley, which has recently won a 6.8 per cent rise, and Mount Newman, which achieved an 8.0 per cent rise.

On the strength of these increases, Utah wants a rise in the Mount Goldsworthy over until next year.

GOLD ROUND-UP

Harmony Gold Mining, the South African producer in the Barlow Rand group, yesterday declared a final dividend for the year to June of 55 cents (38.8p). Subject to formalities, the dividend will be made in August.

The first reduction in capital took place in 1978. Mr. C. T. Fenton, the chairman, said in his annual statement that consideration will be given to a further distribution at the end of the financial year.

Deelkraal, the developing gold mine controlled by Gold Fields of South Africa, will this year incur R17.2m (£10m) of capital expenditure, Mr. R. A. Plumbridge, the chairman, said in his annual statement. In 1978 R17.1m was spent; Milling at a rate of 60,000 tonnes a month should start at the beginning of 1980.

A second repayment of 10 cents (5.8p) of capital is planned by Vlakfontein of the Gold Fields of South Africa group. Subject to formalities, the repayment will be made in August. The first reduction in capital took place in 1978. Mr. C. T. Fenton, the chairman, said in his annual statement that consideration will be given to a further distribution at the end of the financial year.

SKIPTON BUILDING SOCIETY

The 126th Annual General Meeting took place on the 12th March. The following are extracts from the speech made by the President, Mr. Cyril Clarke, F.C.I.S., F.R.S.



1978 was a year of considerable achievement. Receipts from investors totalled £84m, and withdrawals were in the region of £47m. With all the social services it appears that the old idea of "saving for a rainy day" is now an old-fashioned concept. Taxation and inflation combine to discourage savings and undermine the spirit of independence and self-discipline. Profligate spending, whether by the Government, or by individuals, is not a good thing for the nation, and sooner or later we must change course if the economy is to improve.

Nowadays it takes the savings of 51 investors to support one borrower, and with house prices continuing to escalate, we must face the harsh reality that unless there is a marked increase in net savings, home buyers will find increasing difficulty in obtaining mortgage finance. Last year our mortgage lending of £321m was a record, being an increase over the previous year of some 40%. New loans completed totalled 3,880 and the average loan of £8,280 compared with £7,420 in 1977. Last year 31% of our borrowers were first time purchasers, 22% of our lending was to persons whose income was less than £3,500 and 28% was loaned to persons earning between £3,500 and £4,500 per annum. At the end of the year there were altogether some 30,000 mortgages in existence, with an average debt of only £4,246. Mortgage losses at £2,400 are a minimal figure and at the year end not a single mortgage was more than 12 months in arrears with subscriptions.

Housing plays such an important part in the national economy that no Government could afford to allow building societies an entirely free hand in the conduct of their own affairs. Like so many other institutions, it appears we shall have to learn to live with a continuing stream of restrictions or directives from Government departments. However, while we may no longer be masters in our own house, it is some consolation to know that the liaison which has been established through the Joint Advisory Committee has created a better understanding between both sides.

Our reserves are being well maintained and at over £7m represent 4.3% of total assets. Liquid funds which stood at £35m, represent 21% of total assets and will enable the society to continue lending at a reasonable level until market rates subside and there is a marked improvement in the net inflow of investments. The recent announcement by the Bank of England of a 1% reduction in minimum lending rate is a welcome step in the right direction.

Total assets in 1978 increased from £150m to £166m; a growth rate of over 10% which I would suggest is a creditable performance having regard to the prevailing financial climate.

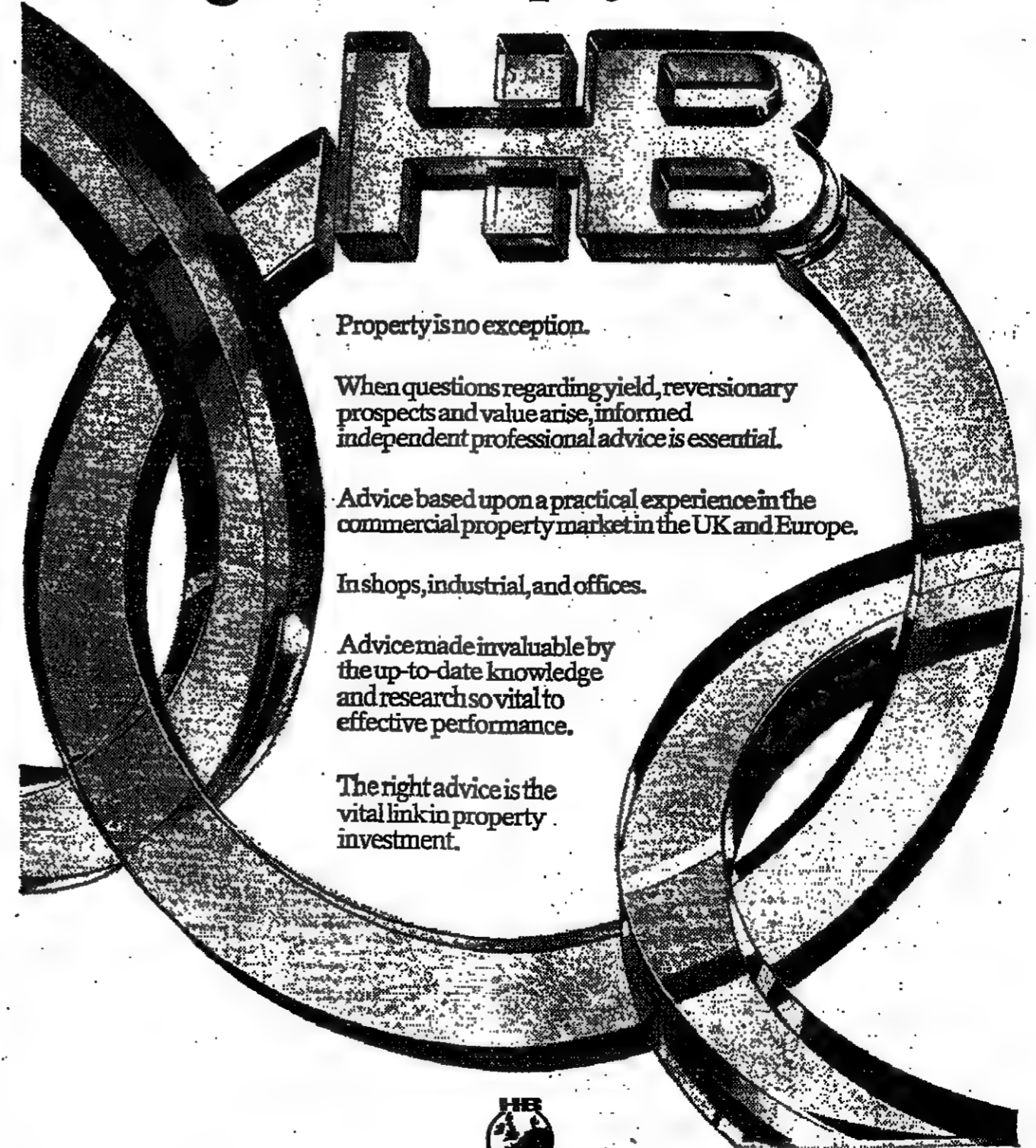
DELTA INVESTMENT COMPANY LIMITED

(Incorporated under the laws of the Bahamas)

Interim Statement (Unaudited)

	6 months ended	23.1.1979	24.1.1978
Net Assets	US\$000	US\$000	US\$000
Net Deficit	20,938	387	4,615
Net Assets per Share	US\$1.83	US\$1.21	

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Robinson Brothers tops forecast

Profits before tax of Robinson Brothers (Ryders Green), specialised chemicals manufacturer, rose from £1.5m to £1.63m for 1978, compared with the prospectus forecast of not less than £1.4m.

Turnover of the group, which was made public last June, amounted to £11.46m (£9.43m). After a tax charge of £696,000 (£250,000 credit), net profits fell from £1.75m to £1.14m.

The 1978 charge includes an amount of £24,000 which may be recoverable in future years. Stated earnings per £1 share dropped from 169.3p to 106.1p and, as forecast, the dividend for the year is 2.8p net.

In yesterday's report, the 1977 pre-tax profit was incorrectly shown as £2m.

هكذا من الأمل

Tilling in £22m U.S. deal

Thomas Tilling is poised to make its largest acquisition to date. The British group has agreed to buy U.S.\$44m (£21.6m) of the north-eastern seaboard construction materials business Ashland Oil.

Tilling — one of the UK's top industrial concerns — has earmarked around £100m for U.S. acquisitions. The Ashland deal will take the group's spending purchases there to almost £5m in the past 14 months.

Previously the group's spending on individual acquisitions in the U.S. has been moderate. Earlier this month Tilling announced that it had paid \$52m (£26.5m) for Clecon Incorporated, the Cleveland-based industrial products manufacturer.

Tilling said yesterday that the deal has been agreed to by the directors of Ashland. The activities include large-scale quarrying, manufacture of ready mixed concrete, and a supply of coated stone and ceramic products for construction.

The sale followed Ashland's previous intention to dispose of most of its oil and gas and non-energy properties so as to

concentrate on chemicals, refining and marketing. The remainder of the Ashland-Warren business is not being sold because bids were too low.

The British group appears to be set on further expanding its U.S. construction interests and is forming a new U.S. holding company Ticon Holdings which will control the newly acquired Ashland business and any other investments in the U.S. construction materials field.

The Ashland deal will mark Tilling's eighth major purchase in the U.S. since the group embarked on its North American expansion programme.

Greycoat Estates, which was created out of the merger with Chaddesley Investments last summer, has just announced a significant property and share deal.

It has acquired from the Rank Organisation the lease it held on Imperial House and Quadrant Arcade, a property at the bottom end of Regent Street between the Cafe Royale and the Aquasutum store.

It is paying for the lease in shares, 613,334 worth £613,000, which Rank has already additionally placed in the market. Because the share issue will increase Greycoat's equity by 11 per cent, shareholders' approval must be gained.

Greycoat, which has just let its Hudson House, Covent Garden, to a new tenant, also intends extensive refurbishment for Empire House and when the sub-leases fall in.

The 25,500 sq ft of offices are let to de la Rue, the security printers. The lease runs out in 1981. The top lease falls in from this year on.

Greycoat has recently emerged

as a major development force. In partnership with Standard Life it is about to start building 750,000 sq ft of offices on the former Port of London Cutler Street warehouse site.

EARLY DEFENCE MOVE BY BREEDON

Breedon and Cloud Hill Lime Works has come out with an early defence against any possible bid arising from Ferguson Industrial Holdings.

Ferguson has recently built up an 8.7 per cent holding in Breedon of 364,300 ordinary shares.

Mr. P. H. Lloyd, the chairman of Breedon, tells shareholders that both he and his colleagues "cannot be sure at this stage whether the persistent buying by Ferguson of your company's shares forebodes a bid... by Ferguson."

He adds: "I can tell you that your board would regard such a move by Ferguson as being without logic or merit from an industrial and commercial point of view."

And as a practical gesture towards any defence that might become necessary Breedon has promised to propose in respect of the year ended January 31, 1979, the maximum dividend permitted under present legislation.

J. BARNESLEY AND M. B. WILD MERGE

The merger is announced between John Barnesley and Sons and M. B. Wild and Company of Birmingham.

Both companies are in the same field of manufacture, and it is thought that combined efforts would give a greater production range, both on the home and overseas markets. It is expected that the combined turnover of both will be between £4m and £5 per annum.

L & G buys 29% stake in City Offices

Legal and General Assurance has bought a 29 per cent stake in the City Offices Company from British Land for £8.8m.

The price, 85p per share, represents a 4p premium over City Office's value in the market yesterday.

L and G holds no other shares in City Offices, its merchant bank advisers, Morgan Grenfell, confirmed last night.

No automatic bid would therefore be triggered off by the deal. The insurance company said that it would welcome a meeting with City Offices, "in due course" to discuss the "ongoing relationship."

British Land only acquired the shares in City Offices last October when it bought the stake previously held by a subsidiary of British and Commonwealth Shipping. It paid £4.57m for the holding in a share and cash purchase.

City Offices is a cash rich property company with no gearing and achieved profits of £1.3m last year. One of its prime properties is Baltic House which has a current value of £5.6m.

EPC/TRIZEC

MR. EDWARD BRONFMAN, chairman of Trizec Corporation, said yesterday his evaluators of the English Property Corporation assets in the UK and Europe were on their way back to Montreal, but the decision, whether to contest the Reichmanns' 60p per EPC share bid had not finally been made.

"We have to decide if, before we decide when to make a bid and then we have to consider the price," Mr. Edward Bronfman said after yesterday's annual meeting of Trizec in Toronto.

Asked how high Carina would be prepared to go in the contest, he replied: "I don't know, but the human element comes into it."

"Although there is no bid coming today, who knows about tomorrow?" asked Mr. Bronfman. But he hinted the evaluators report might produce some action.

The bid by Olympia for EPC remains open until March 23.

GRAIG SHIPPING SELLS VESSEL

Graig Shipping Company has sold its motor vessel "Graigmon", 31,600 deadweight tons, to Global Shipping Company of South Korea. The vessel was delivered on March 1.

Gross proceeds were £1.99m and its written-down book value at the sale date was £524,355.

The "Graigmon" has been operating at a small profit, before depreciation. Because the vessel is over 10 years old, the company decided to dispose of her. It now has two bulk carriers of total deadweight tonnage of 80,979, long tons.

CHAMBERLAIN

The offer by Brown and Sharpe Group for Chamberlain Group shares not already owned has become unconditional. Mr. H. D. Sharpe Jr. and Mr. A. R. Roach have been appointed to the Chamberlain Board.

Mr. Sharpe is chairman of the Board and chief executive officer, and Mr. Roach is president and chief operating officer of Brown and Sharpe Manufacturing Company of Rhode Island, U.S.

Guthrie sees exceptional growth

Guthrie Corporation, the British plantation group, is continuing to resist the £153m bid from Sime Darby Holdings, the international conglomerate.

It has invited those shareholders who have accepted the Sime offer to withdraw their acceptances.

Shareholders are invited to take up this opportunity after reading Guthrie's supplement — "The Future of Guthrie" — which reviews the prospects in the next five years for the four principal parts of the Guthrie business.

Guthrie promises that the next five years are going to be a period "of quite exceptional growth" for its plantation activities.

In North America, Guthrie's manufacturing activities, primarily in high-technology capital goods industries are enjoying "transformed prospects" because of the need for the more efficient use of energy, and new energy conservation programmes.

On other activities Guthrie should benefit from the "development of the Guthrie's Galadari venture, based in Dubai, and handling a wide range of consumer goods as well as the extension of trading activities."

Guthrie's shares were unchanged at 515p yesterday. Meanwhile institutional shareholder M and G has built up its share stake to nearly 12 per cent in Guthrie.

Guthrie gives the following reasons for refusing the Sime offer:

● Guthrie is one of the few plantation companies left registered in the UK and therefore providing franked income. "As

an investment, it is virtually irreplaceable."

● The present forecast yield of 8 per cent is higher than the yield on Harrissons and Crossfield (the only comparable company) and appreciably higher than the yield on the equity indices.

● "The dividends on Guthrie have been 10p, 15p and 20p over the past three years, and the forecast for next year is not less than 28p net."

● "At a price of 800p, the forecast yield would still be just under 7 per cent and at 700p, the yield would be at least 5.97 per cent."

● "The growth in dividends is outstanding and a potential 6 per cent yield at a price of 700p might be considered comparable to the yield basis of Harrissons and Crossfield or even Sime Darby itself."

"If Sime needs Guthrie so badly it should pay a premium, and if it takes Guthrie at 1980 figures on a 5 per cent yield, which seems to us the necessary premium to pay for assets, earnings and security value, the price would have to be about £5.50."

BOOKER MCCONNELL EXPANDS IN U.S.

Thermotronics, an 80 per cent owned subsidiary of Booker McConnell, has acquired the share capital of Metrol Corporation. Both companies are situated in Houston, Texas.

The purchase price is approximately \$600,000 and consists of \$100,000 payable in cash and the balance in deferred cash instalments over 20 years.

Booker's interest in Thermotronics was acquired in August 1978 for \$2m — held through its wholly owned subsidiary, Plenty Group of Newbury, England, which is subscribing \$400,000 for additional share in Thermotronics in MESL.

order to maintain its 80 per cent interest.

Plenty, Thermotronics and Metrol specialise in oil and gas engineering. The combined annual turnover of Thermotronics and Metrol will be some \$20m.

DOWTY BUYS 50% OF NORSON POWER

Dowty Group is acquiring a 50 per cent interest in Norson Power, a private company incorporated in Scotland. Norson designs and manufactures diving bell hydraulic winches, underwater pipe alignment systems and hydraulic controls for the offshore oil industry. The company is based in Glasgow with a sales and service depot in Aberdeen.

For the year ended August 31 1978, Norson profit before tax was £197,000 on turnover of £654,000. The consideration is to be satisfied by 200,000 new shares.

AB/SMITHS

Following the announcement on December 15, 1978, that Associated Biscuit Manufacturers had entered into a contract to purchase the business of Smiths Food Group, the purchase consideration, due to General Mills' subsidiary, CPG Products, has been paid and all formalities completed.

RACAL PURCHASE

Racal Electronics has completed the acquisition of 33 per cent of the capital of Microwave and Electronic Systems, as fore-shadowed. The consideration, £371,851 cash and £26,462 ordinary shares, Racal is seeking to acquire at same price — £2 per share — the remaining shares of MESL.

INVESTMENT TRUST COMPANIES

The information in the columns below is supplied by the companies named, which are members of The Association of Investment Trust Companies. The figures, which are in pence except where otherwise stated, are unaudited.

VALUATION MONTHLY													VALUATION MONTHLY												
Pence except where £ stated (see note d)													Pence except where £ stated (see note d)												
Company	Shares or Stock	Date of Valuation	Annual Dividend	Net Asset Value after deducting prior charges	Investment Premium (see note 8)	Total Assets less current liabilities	Company	Shares or Stock	Date of Valuation	Annual Dividend	Net Asset Value after deducting prior charges	Investment Premium (see note 8)	Total Assets less current liabilities												
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(1)	(2)	(3)	(4)	(5)	(6)	(7)												
161.4	Alliance Trust	Ordinary 25p	28/2/79	5.0	301.3	310.3	6.9	Henderson Administration (cont.)	Ordinary 25p	28/2/79	2.5	74.6	74.6												
91.5	Anglo American Securities Corp.	Ordinary 25p	28/2/79	3.3	138.1	144.4	12.4	Lowland Investment	Ordinary 25p	28/2/79	1.33	35.6	36.6												
134.0	British Investment Trust	Ordinary 25p	28/2/79	4.25	202.2	206.7		English National Investment	Defd. Ord. 25p	28/2/79	2.82	67.4	71.3												
29.0	Capital & National Trust	Ord. & "B" Ord. 25p	28/2/79	4.6	183.8	188.8		Philip Hill (Management) Ltd.																	
11.8	Claverhouse Investment Trust	Ordinary 50p	28/2/79	4.4	117.7	117.7	21.7	City & International Trust	Ordinary 25p	28/2/79	4.7	139.9	145.0												
17.1	Crossfairs Trust	Ordinary 25p	28/2/79	3.7	121.1	121.1	11.6	General & Commercial Inv. Trust	Ordinary 25p	28/2/79	7.1	190.2	200.3												
46.6	Dundee & London Investment Trust	Ordinary 25p	28/2/79	2.5	110.4	115.4	24.6	General Consolidated Inv. Trust	Ordinary 25p	28/2/79	4.25	117.1	120.0												
12.9	Edinburgh Investment Trust	Ordinary 25p	28/2/79	0.75	304.5	320.9	198.9	Philip Hill Investment Trust	Ordinary 25p	28/2/79	7.9	248.3	282.4												
74.7	First Scottish American Trust	Ordinary 25p	28/2/79	3.15	130.1	132.2	59.8	Moorgate Investment Co.	Ordinary 25p	28/2/79	3.82	116.6	119.1												
82.5	Grange Trust	Ordinary 25p	28/2/79	2.4	114.1	118.5	3.9	Nineteen Twenty-Eight Inv. Trust	Ordinary 25p	28/2/79	2.92	93.7	96.9												
32.0	Great Northern Investment Trust	Ordinary 25p	28/2/79	4.5	144.4	147.2	11.7	Industrial & Commercial Fin. Corp.	Ordinary 25p	28/2/79	3.5	97.0	98.6												
38.7	Guardian Investment Trust	Ordinary 25p	28/2/79	2.9	115.7	120.8	49.2	London Atlantic Inv. Trust	Ordinary 25p	28/2/79	3.5	97.0	98.6												
55.3	Hume Holdings Ltd.	Ordinary 25p	28/2/79	4.5	115.7	120.8		North British Canadian Inv. Co.	Ordinary 25p	28/2/79	3.5	97.0	98.6												
38.7	Investors Capital Trust	Ordinary 25p	28/2/79	2.0	110.4	115.4		Do. Do.	Ordinary 25p	28/2/79	3.5	97.0	98.6												
26.9	Jardine Japan Investment Trust	Ordinary 25p	28/2/79	0.55	208.0	208.0	50.3	Atlantic Assets Trust	Ordinary 25p	28/2/79	0.4	159.5	166.4												
51.1	London & Holyrood Trust	Ordinary 25p	28/2/79	3.8	168.3	172.2	116.1	British Assets Trust	Ordinary 25p	28/2/79	2.6	100.7	106.7												
16.2	London & Montrose Invest. Trust	Ordinary 25p	28/2/79	8.8	272.1	276.6	15.3	Edinburgh American Assets Trust	Ordinary 25p	28/2/79	1.3	155.6	161.6												
28.3	London & Provincial Trust	Ordinary 25p	28/2/79	3.4	199.0	199.0		Viking Resources Trust	Ordinary 25p	28/2/79	1.1	134.0	134.0												
55.3	Mercantile Investment Trust	Ordinary 25p	28/2/79	2.5	158.9	163.2		Keyser Ullmann Ltd.	Ordinary 25p	28/2/79	4.875	107.3	109.3												
8.0	Do. Do.	Ordinary 25p	28/2/79	2.5	158.9	163.2	49.2	Thornorton Trust	Ordinary 25p	28/2/79	4.875	107.3	109.3												
133.1	North Atlantic Securities Corp.	Ordinary 25p	28/2/79	3.07	139.2	144.2		Thornorton Secured Growth Trst.	Ordinary 25p	28/2/79	4.875	107.3	109.3												
59.9	Northern American Trust	Ordinary 25p	28/2/79	1.05	140.3	143.7	11.9	Kleinwort Benson Ltd.																	
111.6	Save & Prosper Linked Invest. Trust	Ordinary 25p	28/2/79	3.0	140.3	144.4	23.4	British American & General Trust	Ordinary 25p	28/2/79	1.55	56.6	57.7												
53.3	Scottish Investment Trust	Ordinary 25p	28/2/79	3.38	141.6	150.3	19.7	Brunner Investment Trust	Ordinary 25p	28/2/79	4.0	142.1	144.9												
4.0	Scottish Northern Investment Trust	Ordinary 25p	28/2/79	1.875	104.7	108.1	34.0	Charter Trust & Agency	Ordinary 25p	28/2/79	2.45	73.5	80.8												
44.9	Second Alliance Trust	Ordinary 25p	28/2/79	1.775	104.7	108.1	44.1	English & New York Trust	Ordinary 25p	28/2/79	3.0	108.1	107.9												
30.4	Shires Investment Co.	Ordinary 25p	28/2/79	6.3	249.0	254.7	5.0	Family Investment Trust	Ordinary 25p	28/2/79	4.6	113.2	113.2												
80.5	Sterling Trust	Ordinary 25p	28/2/79	1.775	104.7	108.1	23.3	Jos & Sons Ltd.	Ordinary 25p	28/2/79	2.375	113.2	113.2												
23.0	Technology Investment Trust	Ordinary 25p	28/2/79	2.6	151.9	154.1	5.3	London Prudential Invest. Trust	Ordinary 25p	28/2/79	3.1	114.0	114.0												
58.0	United British Securities Trust	Ordinary 25p	28/2/79	4.44	179.6	181.0	17.6	Merchants Trust	Ordinary 25p	28/2/79	3.0	99.1	102.6												
	United States & General Trust	Ordinary 25p	28/2/79	6.83	274.4	278.6	53.7	Lazard Bros. & Co. Ltd.	Ordinary 25p	28/2/79	4.05	178.4	185.1												
	United States Debenture Corp.	Ordinary 25p	28/2/79	4.05	122.1	126.5	141.0	Raborn Investment Trust	Ordinary 25p	28/2/79	4.05	178.4	185.1												
	Do. Do.	Ordinary 25p	28/2/79	4.05	122.1	126.5		Robney Trust	Ordinary 25p	28/2/79	4.05	178.4	185.1												
	Baillie Gifford & Co.	Ordinary 25p	28/2/79	3.3	182.5	185.0	11.5	Martin Currie & Co.	Ordinary 25p	28/2/79	3.55	160.5	164.8												
	Scottish Mortgage & Trust	Ordinary 25p	28/2/79	1.6	69.3	70.1	20.7	St. Andrew Trust	Ordinary 25p	28/2/79	4.9	168.7	171.0												
	Monks Investment Trust	Ordinary 25p	28/2/79	5.6	275.5	289.2	30.3	Scottish Eastern Investment Trust	Ordinary 25p	28/2/79	4.8	183.0	189.7												
	Winterbottom Trust	Ordinary 25p	28/2/79	1.625	73.3	77.3	26.2	Scottish Ontario Investment Co.	Ordinary 25p	28/2/79	2.175	92.1	93.6												
	Baring Bros. & Co. Ltd.	Ordinary 25p	28/2/79	1.7	94.9	95.1	58.8	Securities Trust of Scotland	Ordinary 25p	28/2/79	6.85	246.3	268.4												
	Outwich Investment Trust	Ordinary 25p	28/2/79	3.35	238.4	242.2		Murray Johnstone Ltd.	Ord. & "B" Ord. 25p	28/2/79	*1.85	111.5	115.3												
	Tribe Investment Trust	Ordinary 25p	28/2/79	3.35	238.4	242.2	48.7	Claydon Investment Trust	Ord. & "B" Ord. 25p	28/2/79	*1.8	106.9	109.8												
	City Financial Administration Ltd.	Ordinary 25p	28/2/79	3.35	238.4	242.2	73.5	Glenendevon Investment Trust	Ord. & "B" Ord. 25p	28/2/79	*1.85	136.3	140.8												
	East of Scotland Invest. Managers	Ordinary 25p	28/2/79	3.35	238.4	242.2	19.1	Glenmurray Investment Trust	Ord. & "B" Ord. 25p	28/2/79	*1.95	111.9	115.3												
	Aberdeen Trust	Ordinary 25p	28/2/79	3.35	238.4	242.2	81.8	Scottish Western Investment Co.	Ord. & "B" Ord. 25p	28/2/79	*2.55	132.7	138.0												
	Edinburgh Fund Managers Ltd.	Ord. & "B" Ord. 25p	28/2/79	6.11	61.1	61.1	127.8	Second Great Northern Inv. Trust	Ord. & "B" Ord. 25p	28/2/79	*20.0	121.1	124.9												
	American Trust	Ordinary 50p	28/2/79	1.3	246.0	246.0		Schroder Wag Group	Ordinary 25p	28/2/79	4.6	196.8	203.9												
	Crescent Japan Investment Trust	Ordinary 50p	28/2/79	3.35	120.7	123.0	22.9	Do. Do.	Conv. Loan 1988/93	28/2/79	£4.75	£137.70	£142.70												
	General Scottish Trust	Ordinary 25p	28/2/79	3.35	120.7	123.0	8.1	Australian & International Trust	Ordinary 50p	28/2/79	3.0	134.9	139.9												
	Do. Do.	Conv. Loan 1988/2000	28/2/79	£5.50	£183.30	£186.30	32.2	Broadstone Investment	Ordinary 25p	28/2/79	5.7	213.6	221.0												
	Wemyss Investment Co.	Ordinary 50p	28/2/79	12.5	396.3	396.3	82.0	Do. Do.	Conv. Loan 1988/93	28/2/79	£4.50	£142.40	£147.40												
	Electra Group Services Ltd.	Ordinary 25p	28/2/79	5.5	151.9	151.9	32.0	Continental & Industrial Trust	Ordinary 25p	28/2/79	6.4	277.3	288.1												
	Electra Investment Trust	Ordinary 25p	28/2/79	5.5	151.9	151.9	14.5	Trans-Oceanic Trust	Ordinary 25p	28/2/79	5.8	280.0	283.9												
	Globe Investment Trust	Ordinary 25p	28/2/79	5.5	151.9	151.9		Westpool Investment Trust	Ordinary 25p	28/2/79	5.3	152.4	156.1												
	Temple Bar Investment Trust	Ordinary 25p	28/2/79	5.5	151.9	151.9		Do. Do.	Conv. Loan 1989/94	28/2/79	£6.00	£137.20	£140.50												
	F. & C. Group	Ordinary 25p	28/2/79	3.0	135.4	140.1	75.3	Stewart Fund Managers Ltd.	Ordinary 50p	28/2/79	2.95	114.9	116.0												
	Alliance Investment Co.	Ordinary 25p	28/2/79	4.5	168.1	173.6	15.3	Scottish American Investment Co.	Ordinary 25p	28/2/79	1.9	58.7	68.7												
	Cardinal Investment Trust	Ordinary 25p	28/2/79	4.5	168.1	173.6		Scottish European Investment Co.	Ordinary 25p	28/2/79	1.5	91.2	94.3												
	Do. Do.	Conv. Loan 1985/97	28/2/79	£5.00	£146.10	£146.10	114.7	Touche, Remart & Co.	Ordinary 25p	28/2/79	2.55	79.6	84.5												
	F. & C. Euro. Trust	Ordinary 25p	28/2/79	1.0	72.9	72.9	33.5	Atlas Electric & General Trust	Ordinary 25p	28/2/79	2.75	85.2	97.8												
	Foreign & Colonial Invest. Trust	Ordinary 25p	28/2/79	4.525	240.0	248.2	43.8	Bankers Investment Trust	Ordinary 25p	28/2/79	2.55	79.6	84.5												
	General Investors & Trustees	Ordinary 25p	28/2/79	4.525	240.0	248.2	32.2	Cedar Investment Trust	Ordinary 25p	28/2/79	2.75	85.2	97.8												
	James Finlay Inv. Management Ltd.	Ordinary 25p	28/2/79	1.48	38.8	38.8	16.9	City of London Brewery	Ordinary 25p	28/2/79	2.75	85.2	97.8												
	Provincial Cities Trust	Ordinary 25p	28/2/79	1.48	38.8	38.8	16.9	Continental Union Trust	Ordinary 25p	28/2/79	2.75	85.2	97.8												
	Gartmore Investment Ltd.	Income 50p	28/2/79	8.3	202.5	202.5	41.3	C.L.R.P. Investment Trust	Ordinary 25p	28/2/79	2.75	85.2	97.8												
	Alford Ltd.	Capital 50p	28/2/79	0.415	107.0	107.0	90.0	Confederal Union Trust	Ordinary 25p	28/2/79	2.75	85.2	97.8												
	Anglo-Scottish Investment Trust	Ord. & "B" Ord. 25p	28/2/79	1.8	65.4	67.7	70.3	International & General Trust	Ordinary 25p	28/2/79	2.94	108.6	115.2												
	English & Scottish Investors	Ord. & "B" Ord. 25p	28/2/79	2.85	103.5	109.6	5.0	Sphere Investment Trust	Ordinary 25p	28/2/79	3.3	110.5	115.8												
	Group Investors	Ordinary 25p	28/2/79	1.9	91.9	91.9	34.7	Trustee Corporation	Ordinary 25p	28/2/79	4.85	211.9	218.2												
	London & Gartmore Invest. Trust	Ordinary 50p	28/2/79	11.0	95.1	100.4	11.5	Trust Union	Ordinary 25p	28/2/79	3.8	107.3	116.8												
	London & Lend Lease Invest. Trust	Ord. & "B" Ord. 25p	28/2/79	vac1.867	74.2	77.0	7.6	Williams & Glyn's Bank Ltd.	Ordinary 10p	28/2/79	1.4	157.0	167.0												
	London & Lombard Invest. Trust	Ordinary 25p	28/2/79	2.8	101.1	111.7	8.8	Stewell European Invest. Trust	Ordinary 10p	28/2/79	3.8	157.0	167.0												
	London & Strathclyde Trust	Ordinary 25p	28/2/79	1.6	68.4	65.2	3.6	Atlanta Baltimore & Chicago	Ordinary 10p	28/2/79	0.75	64.5	81.5												
	Meldrum Investment Trust	Ordinary 25p	28/2/79	2.1	65.1	65.1	0.5	West Coast & Texas Regional	Ordinary 10p	28/2/79	1.1	81.2	84.2												
	Gartmore Invest. (Scotland) Ltd.	Ordinary 25p	28/2/79	8.9	208.8	212.5	24.5	VALUATION THREE MONTHLY	Ordinary 25p	29/12/78	4.0	101.7	108.5												
	Scottish National Trust	Ordinary 25p	28/2/79	2.35	145.2	149.6	19.1	Safeguard Industrial Investments	Ordinary 25p	29/12/78	4.0	101.7	108.5												
	Glasgow Stockholders Trust	Ordinary 25p	28/2/79	2.35	145.2	149.6	5.8	City Financial Administration Ltd.	Cap. Ordinary 1p	29/1/79	5.45	289.0	289.0												
	John Gove & Co. Ltd.	Ordinary 10p	28/2/79	1.7	88.3	88.8	8.9	General Funds Investment Trust	Ordinary 25p	29/1/79	5.45	289.0	289.0												
	Berber & Southern Stockholders Tr.	Ordinary 10p	28/2/79	1.7	88.3	88.8	8.9	Do. Do.	Conv. Ordinary 10p	29/1/79	5.45	289.0	289.0												
	Debenture Corporation	Ordinary 10p	28/2/79	1.7	88.3	88.8	8.9	Drayton Montagu Portfolio Mgmt.	Ordinary 25p	28/2/79	7.4	271.4	281.9												
	General Stockholders Inv. Trust	Ordinary 10p	28/2/79	1.7	88.3	88.8	8.9	Do. Do.	Conv. Loan 1983	28/2/79	7.4	271.4	281.9												
	Gove & Co. Ltd.	Ordinary 10p	28/2/79	1.7	88.3	88.8	8.9	Do. Do.	"A" Conv. Loan 1983	28/2/79	7.4	271.4	281.9												
	Lang View Investment Trust	Ordinary 10p	28/2/79	1.7	88.3	88.8	8.9	Do. Do.	Ordinary 25p	28/2/79	5.2	208.7	218.4												
	Do. Do.	Conv. Loan 1973/98	28/2/79	£4.00	£183.80	£183.80	£21.50	Do. Do.	Conv. Loan 1983	28/2/79	7.4	271.4	281.9												
	Stockholders Investment Trust	Ordinary 25p	28/2/79	2.35	141.2	146.3	19.5	Do. Do.	"B" Conv. Loan 1984	28/2/79	7.4	271.4	281.9												
	G.T. Management Ltd.	Ordinary 25p	28/2/79	1.0625	99.1	99.1	11.3	Do. Do.	Conv. Loan 1984	28/2/79	7.4	271.4	281.9												
	Berry Trust	Ordinary 25p	28/2/79	1.0625	99.1	99.1	11.3	Do. Do.	Conv. Loan 1984	28/2/79	7.4	271.4	281.9												
	Do. Do.	Conv. Loan 1989	28/2/79	£4.25	£143.70	£143.70	£18.																		

Thyssen sees brighter outlook for steel

BY ADRIAN DICKS IN BONN

THYSSEN IS no longer losing money on the bulk of its steel-making activities, the West German producer, which is the largest steel maker in Europe, said yesterday.

There was still "no noteworthy momentum" in the steel market, but there had been some "enlightening" of the German economy, notably in demand for final goods. Production had picked up from the very low levels brought about by the steel dispute, explained chairman Herr Dieter Spethmann.

The company has already predicted its shareholders for a cut dividend to DM 4 per share in DM 5.50, having reported January a decline in after tax profits from DM 144.7m to 108.9m for the year ended September 30, 1978. The results at the end of a year in which the group was hard hit by the difficulties of the entire European steel market, although Thyssen said there had been an improvement from the first to second half of the business year.

Among individual products, there had also been wide differences. Losses on most steel products had been cut back to the point where some were now profitable once again.

World sales of the Thyssen group rose from DM 21bn to DM 23.45bn (\$13bn) last year, principally because of consolidation for the first time of the Budd Company of the U.S. which Thyssen acquired in 1977, and which contributed DM 2.57bn to sales. Sales of consolidated domestic companies were down from DM 19.7bn to DM 15.2bn, some 10 per cent down on the DM 21.3bn of 1974-75. Net profits as a proportion of turnover fell from 1.6 per cent in 1973-74 to 0.5 per cent last year.

The Board describes last year's performance as "unsatisfactory", and also points out that the special provision against price increases had been drawn down for over half of the distributed profit for 1977-78 of DM 103.9m.

Referring to the current year Herr Spethmann said, "production has picked up from the very low levels brought about by

the winter steel dispute to about 1.2m tonnes this month, the chairman said. Special steels, whose sales last year were up 7 per cent to DM 2.2bn, have shown a slightly weaker trend, while demand for Thyssen engineering products has been "fluctuating severely".

Herr Spethmann hinted strongly that Thyssen intends to carry out further closures of older plant as the other side of its policy to maintain a high rate of investment in new processes and production facilities. The total number of people employed fell back 3.6 per cent last year to just over 120,000, although another Thyssen director, Herr Klaus Kuhn, made clear that the decline affected all the group's major areas and not steelmaking alone.

Because of the weak domestic steel market, Thyssen last year saw exports rise from 33 to 35 per cent of the sales of the West German companies. Western Europe, which took 46 per cent of the group's exports, was the largest single market, while industrialised countries as a whole took no less than 72 per cent.

Pre-tax profit falls at Swedish Match

By Victor Kayfetz in Stockholm

THE SWEDISH MATCH GROUP reported a pre-tax profit after extraordinary items of SKr 4m (\$1,800,000) for 1978, down from SKr 14m the year before. The board nevertheless proposes an unchanged dividend of SKr 5.

Operating profit was SKr 184m, or SKr 15m better than in 1977, but continuing restructuring programmes burdened 1978 results by SKr 130m in extraordinary costs, outweighing an improvement in financial costs. The group's match division accounted for 18 per cent of sales but exactly half of operating profit.

The company said in its preliminary report that "implemented and planned restructuring measures together with an expected upswing in world economic conditions are estimated to result in a further improvement in the operating result for 1979".

Further extraordinary restructuring costs might arise but should be considerably lower than in 1978. The market for chipboard remained uncertain, however. Group sales were SKr 5,238m (\$1,238m), up 6.3 per cent from 1977. Foreign markets accounted for 70 per cent of turnover in 1978, against 69 per cent the previous year.

Swedish Match yesterday announced that it had reached an agreement with the UK company Wilkinson Match, to acquire its shares in the jointly-owned match companies in Argentina, Uruguay and Colombia. This step will give Swedish Match majority shareholdings in these companies, whose combined turnover is \$16m. The option to purchase these shares was part of the 1977 deal under which Swedish Match sold its 29 per cent interest in Wilkinson Match to Allegheny Ludlum.

Mr. Gunnar Dahlsten, the managing director also announced that a joint oil exploration venture on Profit Island in the Mississippi River in which Swedish Match is entitled to 20 per cent of the market price of petroleum revenues had made gas condensate discoveries which might contribute to group income in the future.

Major disinvestments carried out in 1977 made possible the early repayment of SKr 167m in foreign loans in Swiss Francs and West German Marks during 1978. This contributed toward reducing net financial costs from SKr 179m in 1977 to SKr 106m last year.

Swedish Match said its disinvestments and measures to make capital management more efficient had strongly improved cash flow. After appropriations, the Swedish Match group reported a net loss of SKr 4.5m, against a 1977 loss of SKr 35m. The parent company showed a 1978 net profit of SKr 50.4m, up SKr 500,000 from the previous year.

The preliminary figures for 1978 indicate slight improvements in operating profits for the group's cardboard division and the tobacco division, which makes interior construction materials. Loans increased to 22 per cent of total assets, from 15 per cent, and quoted investments to 34 per cent, from 20 per cent, with short-term investments and loans accounting for 74 per cent of the total at the end of the period.

Foreign growth at Holzmann

By Guy Hawtin in Frankfurt

PHILIPP HOLZMANN last year maintained a strong domestic performance but foreign business continued to provide the main impetus for growth. According to the Frankfurt-based construction concern, the 1978 overseas bookings rose by 159 per cent to DM2.8bn where they accounted for 60 per cent of the total income.

Holzmann has done particularly well overseas since the industry's domestic downturn—which has lasted for much of the current decade—forced it, together with most of its leading competitors, to look abroad for growth. Holzmann obtained a third of the DM9bn that West German construction companies booked in overseas business last year.

The group's order book at the end of 1978 stood 15.9 per cent up at DM 5.34bn compared with DM 4.61bn at the end of the previous year.

Price freedom boosts Lafarge

BY DAVID WHITE IN PARIS

FREEING OF prices by the French Government last year to a sharp increase in profit at the Lafarge cement group. An upturn in the second half of the year means that net earnings for the year are now expected to be up 20 per cent on 1977.

With higher prices, the French cement business provided the bulk of Lafarge's extra profit. Improvements in this company's products sector also contributed to the consolidated result. Lafarge has about 40 per cent of the French cement market and has a major Canadian offshoot and other subsidiaries making sanitary ware, coke ovens, cardboard boxes, plaster, and other items.

NET PROFITS of Lafarge, the French cement concern, fell slightly last year to FFfr 53.6m (\$12.5m), as the effects of the year of reorganisation in its non-vehicle sectors worked through, writes Terry Dods from Paris.

The stagnant profits compare with a modest 4 per cent increase in sales to FFfr 1.7bn (\$397m).

The company says that the automotive side of its business has been reasonably strong, but that the market conditions

But the component spare parts sales fell in overseas markets, and business was not helped by the depression in the building and public works industries.

Ferodo is continuing to increase its investment in industrial buildings in France. Last year it put some FFfr 117.7m into this sector, a rise of 12.4 per cent, compared with FFfr 104.7m in 1977.

Last year also saw a big rise in the company's depreciation charge, by 31.6 per cent to FFfr 99.6m. The increase was due, said the company, to a high level of investment and taking into the accounts about FFfr 11.3m arising from a revaluation of assets. Cash flow went up to FFfr 169.6m against FFfr 156.6m in the previous year. The dividend will be held at FFfr 20.70 per share.

Consolidated results for the Ferodo group, which brings together a collection of component interests, from vehicle electronics to brakes and radiators, have not yet been finalised. But Ferodo is forecasting an increase in turnover to FFfr 4.45bn, with cash flow at about 8 per cent of this figure.

Wind-up of Norinvest may cost Andresens more

BY FAY GJETER IN OSLO

ANDRESENS BANK, Norway, which recently announced Nkr 66m (\$132m) in loss write-offs and no dividends for 1978, gave more details in its report yesterday about how the losses were distributed among the bank's various investments.

Nearly half of them—Nkr 27m—concerned shipping investments. A further Nkr 20.8m represented losses connected with the rescue last autumn of Norinvest, a finance company backed by a large number of leading Norwegian banks and insurance groups. Losses on lending to heavy engineering and shipbuilding firms accounted for a further Nkr 8.6m of the total.

The Board describes Andresens efforts to bring about the controlled wind-up of Norinvest as "the most difficult issue we

have to deal with in 1978" and says it is convinced that the steps taken were correct. It adds, however, that it is still too early to say whether "the assumptions on which the wind-up plan was based" will turn out to be correct, or "whether they will have to be adjusted."

In this case how the plan will be affected. Mr. Erik A. Refsum, one of the bank's directors, said it now appeared that Norinvest's liquidation would take rather longer than the original estimate of two to three years. He admitted that the bank could not be sure, at this stage, that it would not have to take further losses in connection with the finance company. Some of Norinvest's contract obligations extended until 1985, he pointed out.

Dutch builder improves

BY CHARLES BATCHELOR IN AMSTERDAM

PROFIT and turnover growth has again been achieved by Hollandse Beton Groep but the company's order book at end-1978 was slimmer than a year before. HBG, since the formation of the Volker-Stevin group the second largest construction company in Holland, proposes increasing its dividend and making a scrip issue.

Net profit rose 16 per cent to FFfr 58.3m (\$23m) compared with the 38 per cent increase in 1977 on turnover which rose only 2 per cent to FFfr 2.48bn (\$1,248m). In 1977, turnover increased by 19 per cent. Net profit per share last year rose 7 per cent to FFfr 24.40.

Confirming the trend set by the Ballast-Nedam group, which

recently published its 1978 result, HBG reported a decline in order books to FFfr 2.7bn from FFfr 4.4bn at the end of 1977. HBG expects that profits and turnover in 1979 to be on the same level as 1978. Last year's profit performance was in line with the forecast but turnover was slightly higher than expected. The completion of some large foreign orders was the main reason for the slimming of the order portfolio.

The company proposes paying a final dividend of FFfr 6 taking the total dividend to FFfr 17. This compares with a total dividend of FFfr 6.40 in 1977. It also plans to repeat last year's scrip offer of one share for every 30 held.

ideas of its strategies abroad following the completion of a report by the U.S. consultants, McKinsey. It is involved in housing, office, shopping and leisure projects in West Germany, France, Belgium and Switzerland. It has no immediate plans to extend its activities to the U.S. nor is it yet active in Britain, although some preliminary contacts have been made.

The bank's share of the Dutch mortgage market slipped to 6.4 per cent in 1978 from 7.6 per cent the year before.

THE DUTCH department store group, De Bijenkorf, reports further strong growth of profits and sales. Net sales rose 22.5 per

Growth slows at Dutch mortgage bank

BY OUR AMSTERDAM CORRESPONDENT

ROWTH at Westland-Utrecht, Holland's largest mortgage bank, slowed as expected in 1978 after a record performance of the year before. The result was, nevertheless, satisfactory against background of continuing economic uncertainty, tower demand for housing and the swelling off of house prices.

Operating profits rose 9 per cent to FFfr 124.8m (\$52.4m) compared with a 36 per cent increase in 1977. Taking into account provisions which were set directly against operating profit in 1978 the increase was 5 per cent. The Board explained, "Net profit rose 33 per cent to FFfr 61.9m and the bank's mortgage portfolio expanded by 31 per cent to FFfr 10.5bn (\$5.5bn).

Dividend is FFfr 24 per share against FFfr 20 in 1977 when the bank also paid a 10 per cent bonus in shares. Net profit growth is expected to slow further in the current year, but sluggish growth in Holland will be compensated for in the 1980s by the expansion into other countries in Europe.

Foreign activities are largely concentrated on project development although the bank hopes to develop mortgage business too. In Holland project development is already making an increasing contribution to profits compared with the declining share of its traditional mortgage business.

The bank now has a clearer

SONY CORPORATION

Exchange losses depress earnings

BY RICHARD C. HANSON IN TOKYO

SONY CORPORATION has announced a first quarter fall in consolidated net profit of 18.2 per cent to Y441bn (\$21.3m), from Y539bn in the same period the previous year, as a result of exchange losses largely attributable to the translation of accounts of foreign subsidiaries.

Consolidated sales in the first quarter, in January 31, however, rose 10.5 per cent to a record Y150,44bn (\$726m) from Y136,02bn, and operating profits were up 39.9 per cent to Y15,325bn, as a result of increases in sales of most of its products and the effects of further rationalisation of operations.

Sony officials remain cautious over projections on net profit

for the current and latter quarters this year, citing the uncertainty of exchange market conditions. They say the large fluctuations in net profit over the past five quarters (downward in all but the third quarter last year) are due to problems of translating overseas earnings back into yen.

In the latest quarter, the company made a Y2,23bn exchange loss, compared with a Y1,574bn exchange gain the first quarter of 1978.

Sony's overseas sales rose 4.5 per cent, but were down to 57.1 per cent of the total against 60.4 per cent a year ago. Officials said that the actual gains in local currencies in overseas sales were substantially larger.

Domestic sales, on the other

hand, showed a strong gain, of 19.7 per cent to Y64,51bn, better than the industry average.

Television sales were up 8.1 per cent; video tape recorder sales gained only 12.7 per cent, less than in earlier quarters; tape recorder and radio sales were up 0.2 per cent; and audio equipment sales gained 11.8 per cent. Sales of magnetic tape were also up.

Sony is expanding its production of television sets in both the U.S. and the UK; the expansion of its San Diego, California, plant, capacity to 500,000 units from 400,000 units per year has already been completed. Sony's factory at Bridgend in South Wales will expand to 150,000 units from 100,000 units. Over the next three years jobs there could

rise by between 200 and 250 from a little over 600 employees. Overall, colour TV production this year is expected to rise to 2m units from 1.5m last year.

Home video tape recorder sales have run into stiff competition from a system developed by the Matsushita group, and Sony's Betamax share of the U.S. market has fallen quite steeply.

The company has, however, recently introduced an improved home unit which is expected to help sales domestically.

While declining to project net profit for the year, the company does expect that sales on a consolidated basis will rise to over Y600bn, from Y534.9bn last year. The per-share net profit in the first quarter was down to Y20 from Y25 a year ago.

Rights and bonus issue from OUB

By H. F. Lee in Singapore

FOLLOWING its disclosure today of a 24 per cent rise in group profit, the Overseas Union Bank (OUB)—one of the "big four" Singapore Banks—has announced a bonus-cum-rights issue.

The bonus issue will be on the basis of one share for every six held while the rights issue will be one share for every six held, at a price of S\$2 per share based on the existing issued capital.

The price of Overseas Union Bank shares closed at S\$8.70 per share, prior to the announcement. The bonus-cum-rights issue will raise some S\$23.6m (U.S.\$11.8m) in fresh capital for OUB and increase its issued capital from S\$77m to S\$102.6m.

The purpose of the issue, OUB said, is to enlarge the bank's capital base to further support its expanding business. Group post-tax profit after providing for diminution in value of assets and transfers to other reserves for the year ended December 1978 rose 24 per cent to S\$13.3m to S\$16.5m.

Including non-recurring profit on sale of investments, the profit rose 30 per cent from S\$14.4m in 1977 to S\$18.73m.

At the bank itself post tax profit rose 26 per cent from S\$11.7m to S\$15.05m.

Sharjah Group well ahead in second year

By Our Financial Staff

THE SHARJAH GROUP—which claims to be the world's largest private investment company—raised its profits by 79 per cent to Dh 34m (\$9m) in 1978, its second year of operations. From Dh 19m in 1977, a cash dividend of 10 per cent has been declared.

The group's assets increased over the year to Dh 640m (\$168m) from Dh 522m at the end of 1977, largely as a result of an increase in loans and quoted investments. The group's policy has been to participate in the development of the Arab economy and investments and participations inside and outside the Gulf.

British Bank of the Middle East

The British Bank of the Middle East's current, deposit and other accounts totalled £127.7m at the end of 1978, against £143.8m at end-1977. The figures were shown wrongly on Wednesday in our report of the bank's annual results.

Payout and profits up at ANI

BY JAMES FORTH IN SYDNEY

AUSTRALIAN National Industries, the diversified engineering, equipment hire and motor vehicle group, has raised its dividend following a 25 per cent gain in profit for the seven months to January 31. The company earned A\$8.0m (US\$8.9m), compared with A\$6.45m in the same period of 1977-78. Group turnover for the period rose 30 per cent to A\$233m (US\$262m).

The interim dividend has been increased from 4.5 cents a share to 5.1 cents. The directors said they expected to recommend a final payout of at least 6.6 cents, compared with the final last year of 6 cents. This would bring the total distribution for the year to 11.7 cents, against 10.5 cents in the previous year.

The directors said that the company traded "exceptionally well" in the latest period and commented that 1978-79 would represent the twelfth successive year of continuous profit growth for ANI, and that sales, profits, earnings per share and dividends per share should all represent record performances. The directors said that the

ANT Sargeants engineering division had again contributed significantly to the overall performance. ANI had completed the rationalisation of its two steel merchandising divisions. The Steelmark division had experienced good trading conditions over the past few months and steel demand was improving. The metal forming division had also met with a pronounced improvement in demand, particularly from automotive and agricultural equipment makers. The results of the latest acquisition, Capital Motors were ahead of the previous period.

The board was confident that ANI could continue to perform well and there was every indication that the Australian economy should continue to improve, with the company in an excellent position to take advantage of this growth.

INDUSTRIAL trouble resulted in the profit of Castlemain Perkins, the leading Queensland brewer, falling almost 38 per cent, from A\$6.5m to A\$4.0m (US\$4.5m) in the six months to January 31. Group revenue for the period fell 30 per cent, from \$99m to

A\$69m (US\$77.5m). The directors said that the drop in revenue and profit was directly attributable to a 12 week's strike between September and November. The brewery ceased production, and for the 12 weeks the brewery and wine and spirits division were closed.

The board added that the strike was preceded by industrial unrest which curtailed production and depleted stocks. Moreover, the absence of stocks of packaged beer when work resumed late in November affected the company's ability to meet demand for these products during December and early January, which is the company's peak period.

The directors believed the profit was satisfactory in the circumstances. They said it would not be possible for earnings to equal those of 1977-78 but that they expected the result for the full year to be satisfactory.

The interim dividend is held at 7 cents a share, which is still covered by earnings of 15.3 cents, and the Board pointed out that it had already been decided the dividend for the full year would be 15 cents.

Weil wins Bradlows Stores

BY JIM JONES IN JOHANNESBURG

WEIL AND ASCHEIM, the South African investment company, has gained control of Bradlows Stores, the 60 store chain retailing furniture, mainly to South Africa's white population.

Great Universal Stores holds 31 per cent of Bradlows's equity. But according to Mr. Marnie Simchowitz, the chairman of Weil and Ascheim, GUS has no intention of accepting his company's offer for minority shares.

Control of Bradlows has been obtained by Weil through a newly-formed pyramid company, Bradlow Investments, owned as to slightly more than 50 per cent by Weil, which has bought 53 per cent of Bradlows shares from the controlling Bradlow family. A similarly priced offer has been made at 270 cents per share to the

Bradlows minorities, compared with a market price of 170 cents at end-February, when trading in Bradlows shares was suspended on the Johannesburg Stock Exchange.

Weil and Ascheim already controls the World Furnishers chain of 40 stores which concentrates its marketing effort on furniture sales to black South Africans. The present R2.4m deal therefore gives Weil a wider market coverage.

When it reports in May for its year to February 28, 1979, Bradlows is expected to disclose assets per share of about 500 cents, of which about 50 cents will be represented by its Rhodesian interests. The company has already indicated that it will pay a 17.5 cents dividend for the year. Bradlows has 1.7m ordinary shares in issue, so on the 270 cents bid price,

the GUS interest is worth R1.42m.

ON THE BACK of improvements in almost all its subsidiaries, Anglo Transvaal Industries (ATI), the industrial arms of South African mining house Anglovaal, has reported a 63.4 per cent pre-tax profit increase in the first half to end 1978 to R22.1m (\$25.5m), compared with R13.5m in 1977. Consolidated turnover expanded from R211.7m to R241.6m (\$257.6m).

ATI declares one dividend a year. In 1978, shareholders received 20 cents from consolidated earnings per share of 37 cents. The first half has already provided the group with consolidated earnings of 56 cents, so an improved dividend is almost certain.

Green Island Cement raises dividend

BY HUGH PEYMAN IN HONG KONG

GREEN ISLAND CEMENT, which has been the subject of takeover rumours recently, declared a 12 per cent 1978 net profit rise to HK\$44.6m (U.S.\$9.19m).

The company also proposed a 30 cent final dividend against 1977's 30 cents, but paid the 1978 30 cent cash bonus. The dividend payout for 1978 totalled 60 cents compared with 40 cents in 1977. A one-for-five bonus issue was also proposed and extraordinary profits totalled HK\$49m (U.S.\$10m).

Green Island has attracted


attention in local stock markets because of the widely publicised stake which one of Hong Kong's leading property companies, Cheung Kong, has in the company. Cheung Kong is reckoned to have about 25 per cent of Green Island, whose 500,000 square feet of existing and retained land at Hung Hom has spurred speculation that this may be of interest to a property developer like Cheung Kong.

HONG KONG Aircraft Engineering Company (HAECO), a member of the Swiss Pacific group, raised its 1978 net profit

nearly 17 per cent to HK\$35.43m (U.S.\$7.3m) and proposed a final dividend 30 cents higher, at HK\$3.50, making an annual total of HK\$3.70, some 50 cents above the 1977 level.

The company said that prospects for 1979 were good. Last year HAECO won a contract worth several million pounds for the maintenance of Gulf Air's TriStar fleet. The company also won business from the Civil Aviation Administration of China to overhaul and repair China's aircraft, aero-engines and component parts in Hong Kong.

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY



CITY OF AKUREYRI

\$10,000,000

TEN YEAR PRIVATE PLACEMENT

GUARANTEED BY

THE REPUBLIC OF ICELAND

ARRANGED BY

CITICORP INTERNATIONAL GROUP

ADVISED TO THE BORROWER

LANDSBANKI ISLANDS

JANUARY 21, 1979

SKF

Financial statement

SKF Group sales for the year ending 31 December 1978 were 9,533 million Swedish kronor, a rise of 19 per cent on the comparative 1977 turnover. About a quarter of the increase was due to exchange differences when converting subsidiaries' invoiced sales to Swedish kronor.

Operating income before depreciation amounted to 989 million kronor (839 in 1977) while profit before exchange differences, extraordinary items, provisions and taxes, rose 32.7 per cent to 207 million kronor (156).

Restricted profit development in the first nine months of the year was compensated by a substantial upswing in the final quarter. Main factors contributing to the improved results were the cost-inhibiting effect of rationalization, strong recovery of the Group's steel division, and rising sales in the main product sectors.

The Board and Managing Director propose an unchanged dividend of 4.50 kronor per share.

The Annual General Meeting will be held in Gothenburg, Sweden, on 28 May 1979.

	Financial year to 31 Dec 1978		Financial year to 31 Dec 1977	
	Mkr	%	Mkr	%
Net sales	9,533	100.0	8,004	100.0
Other operating income	97		59	
Operating revenue	9,630		8,063	
Cost of goods sold	6,692	70.2	5,628	70.3
Selling, adm. and technical expenses	1,949	20.4	1,596	19.9
Operating income before depreciation	989	10.4	839	10.5
Depreciation	446	4.7	409	5.1
Operating income after depreciation	543	5.7	430	5.4
Financial income and expenses - net	-336	3.5	-274	3.4
Income before exchange differences	207	2.2	156	1.9
Reserved for exchange losses	-25		-25	
Accounting translation differences	-154		88	
Extraordinary income and expenses - net	33		108	
Income before provisions and taxes	81	0.8	-327	4.1
Provisions	177		57	
Taxes	-141		-158	
Minority interest	-8		-13	
Net income	109	1.1	193	2.4
Capital expenditure, Mkr	442		757	
Average number of employees	54,468		57,209	
Earnings per share, kronor	4.90		2.30	
Group sales by product field*	Mkr	%	Mkr	%
Rolling bearings	7,240	70.6	6,265	72.0
Steel products	1,470	14.5	1,230	14.1
Cutting tool products	480	4.7	390	4.5
Other products	1,070	10.4	820	9.4
Total	10,260	100.0	8,705	100.0

*Figures include internal deliveries between the product fields.

Companies and Markets

CURRENCIES, MONEY and GOLD

Dollar firm; pound easier

THE DOLLAR tended to firm while sterling had a softer tone in fairly inactive foreign exchange trading yesterday. The weakness of the British Government Securities market was reflected in the downward trend in sterling. It opened at \$2.0365-2.0375 and was steady at \$2.0375-2.0385 for most of the morning, before moving up to a high point of \$2.0400-2.0410 before lunch. The pound quickly fell away again however, and touched a low level of \$2.0345-2.0350 in the afternoon, before closing at \$2.0365-2.0375, a fall of 10 points on the day. On Bank of England figures, sterling's trade-weighted index fell to 65.0 from 65.1, and stood at 65.0 all day.

According to Morgan Guaranty of New York, the dollar's trade-weighted depreciation was unchanged at 8.4 per cent, and the Bank of England's index for the U.S. currency was also unchanged at 84.7.

The dollar finished near the top of the day's range against the D-mark at DM 1.8525, compared with DM 1.8565 on Wednesday, and showed a similar movement in terms of the Swiss franc, closing at Sfr 1.6825, compared with Sfr 1.6775 previously.

There was no sign of central bank intervention, apart from further support for the Japanese yen by the Bank of Tokyo earlier in the day. The dollar was less firm against the yen, closing at ¥277.12, compared with ¥270.30.

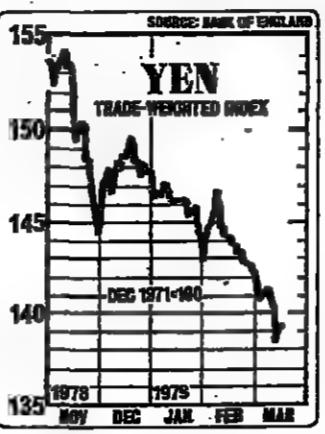
NEW YORK—The dollar was

steady in quiet early trading. It declined against the Japanese yen following recent central bank support for the Japanese currency, and was also weaker against the Canadian dollar as a reflection of the upward trend in Canadian interest rates.

AMSTERDAM—The dollar was fixed at Fl 2.0065 against the guilder, compared with Fl 2.0055 previously.

ZURICH—There was no sign of early intervention by the Swiss National Bank. The dollar was steady at Sfr 1.6825 in the morning, compared with Sfr 1.6775 against the Swiss franc at the start. In the afternoon it moved up to Sfr 1.6812.

FRANKFURT—The Bundesbank did not intervene when the dollar was fixed at DM 1.8525 against the D-mark, compared with DM 1.8565 previously. The decline of the U.S. currency may have reflected its easier trend against the Japanese yen in Far Eastern markets, as dollar buying reached its peak and Japan turned a January trade deficit into a February surplus. Sterling eased to DM 3.2780 from DM 3.2780 at the start. The pound remained firmer than the Irish punt, now a member of the European Monetary System, while the Italian lira declined to Lit 1,718.50 from Lit 1,724 previously. In late trading the dollar fell to L843.20 from L845.20 on Wednesday, and the Deutsche Mark declined to L453.50 from L454.05. Sterling and the Irish punt were both fixed at L1,718.50, down from L1,724 previously. In late trading the dollar fell to L843.20 from L845.20 on Wednesday, and the Deutsche Mark declined to L453.50 from L454.05. Sterling and the Irish punt were both fixed at L1,718.50, down from L1,724 previously. In late trading the dollar fell to L843.20 from L845.20 on Wednesday, and the Deutsche Mark declined to L453.50 from L454.05.



There was no sign of central bank intervention, apart from further support for the Japanese yen by the Bank of Tokyo earlier in the day. The dollar was less firm against the yen, closing at ¥277.12, compared with ¥270.30.

NEW YORK—The dollar was

THE DOLLAR SPOT AND FORWARD

March 15	Day's spread	Close	One month	Three months	%
U.S.	2.0365-2.0405	2.0375-2.0385	0.37-0.27c	1.89-0.72-0.62	1.32
UK	2.0365-2.0405	2.0375-2.0385	0.37-0.27c	1.89-0.72-0.62	1.32
Canada	65.11-65.21	65.18-65.21	0.4-0.2c	0.42-0.32c	0.21
Netherlands	2.0043-2.0070	2.0050-2.0070	0.37-0.27c	1.89-0.72-0.62	1.32
Belgium	2.0043-2.0070	2.0050-2.0070	0.37-0.27c	1.89-0.72-0.62	1.32
Denmark	1.7175-1.7200	1.7175-1.7200	0.37-0.27c	1.89-0.72-0.62	1.32
W. Ger.	1.8565-1.8600	1.8575-1.8600	0.37-0.27c	1.89-0.72-0.62	1.32
Spain	167.10-167.20	167.10-167.20	0.37-0.27c	1.89-0.72-0.62	1.32
Portugal	200.75-201.00	200.75-201.00	0.37-0.27c	1.89-0.72-0.62	1.32
France	5.4875-5.4900	5.4875-5.4900	0.37-0.27c	1.89-0.72-0.62	1.32
Norway	4.3575-4.3600	4.3575-4.3600	0.37-0.27c	1.89-0.72-0.62	1.32
Sweden	2.0043-2.0070	2.0050-2.0070	0.37-0.27c	1.89-0.72-0.62	1.32
Japan	265.81-266.00	265.81-266.00	0.37-0.27c	1.89-0.72-0.62	1.32
Austria	13.51-13.52	13.51-13.52	0.37-0.27c	1.89-0.72-0.62	1.32
Switz.	1.5740-1.5800	1.5740-1.5800	0.37-0.27c	1.89-0.72-0.62	1.32

THE POUND SPOT AND FORWARD

March 15	Day's spread	Close	One month	Three months	%
U.S.	2.0365-2.0405	2.0375-2.0385	0.37-0.27c	1.89-0.72-0.62	1.32
Canada	65.11-65.21	65.18-65.21	0.4-0.2c	0.42-0.32c	0.21
Netherlands	2.0043-2.0070	2.0050-2.0070	0.37-0.27c	1.89-0.72-0.62	1.32
Belgium	2.0043-2.0070	2.0050-2.0070	0.37-0.27c	1.89-0.72-0.62	1.32
Denmark	1.7175-1.7200	1.7175-1.7200	0.37-0.27c	1.89-0.72-0.62	1.32
W. Ger.	1.8565-1.8600	1.8575-1.8600	0.37-0.27c	1.89-0.72-0.62	1.32
Spain	167.10-167.20	167.10-167.20	0.37-0.27c	1.89-0.72-0.62	1.32
Portugal	200.75-201.00	200.75-201.00	0.37-0.27c	1.89-0.72-0.62	1.32
France	5.4875-5.4900	5.4875-5.4900	0.37-0.27c	1.89-0.72-0.62	1.32
Norway	4.3575-4.3600	4.3575-4.3600	0.37-0.27c	1.89-0.72-0.62	1.32
Sweden	2.0043-2.0070	2.0050-2.0070	0.37-0.27c	1.89-0.72-0.62	1.32
Japan	265.81-266.00	265.81-266.00	0.37-0.27c	1.89-0.72-0.62	1.32
Austria	13.51-13.52	13.51-13.52	0.37-0.27c	1.89-0.72-0.62	1.32
Switz.	1.5740-1.5800	1.5740-1.5800	0.37-0.27c	1.89-0.72-0.62	1.32

Belgium rate is for convertible francs. Financial franc 60.50-60.70.

Swiss-month forward dollar 1.12-1.07c; 12-month 2.17-2.07c.

OTHER MARKETS

Mar. 15	U.S.	U.K.	U.S.	U.K.
Argentina Peso	9290-9310	1125-1135	Australia Dollar	2714-2724
Brazil Cruzeiro	1.8155-1.8165	0.8917-0.8927	Belgium Franc	5014-5024
Canada Dollar	65.11-65.21	65.18-65.21	Denmark Krone	10.50-10.60
France Franc	5.4875-5.4900	5.4875-5.4900	Finland Markka	8.65-8.75
Germany Mark	1.8565-1.8600	1.8575-1.8600	Greece Drachma	36.24-37.12
Italy Lira	1,717.5-1,720.0	1,717.5-1,720.0	Japan Yen	265.81-266.00
Netherlands Guilder	2.0043-2.0070	2.0050-2.0070	Norway Krone	4.3575-4.3600
Portugal Escudo	200.75-201.00	200.75-201.00	Spain Peseta	167.10-167.20
Sweden Krona	2.0043-2.0070	2.0050-2.0070	Switzerland Franc	1.5740-1.5800
Switzerland Franc	1.5740-1.5800	1.5740-1.5800	Sweden Krona	2.0043-2.0070
Switzerland Franc	1.5740-1.5800	1.5740-1.5800	Sweden Krona	2.0043-2.0070
Switzerland Franc	1.5740-1.5800	1.5740-1.5800	Sweden Krona	2.0043-2.0070

Rate given for Argentina is free rate.

CURRENCY RATES

March 14	Bank rate	Special Drawing Rights	U.S. Dollar	U.K. Pound
U.S. Dollar	1.0000	0.630019	0.630019	0.630019
U.K. Pound	0.630019	1.0000	1.5873	1.5873
U.S. Dollar	1.5873	1.5873	1.0000	1.0000
U.K. Pound	1.0000	1.0000	1.5873	1.5873
U.S. Dollar	1.5873	1.5873	1.0000	1.0000
U.K. Pound	1.0000	1.0000	1.5873	1.5873
U.S. Dollar	1.5873	1.5873	1.0000	1.0000
U.K. Pound	1.0000	1.0000	1.5873	1.5873
U.S. Dollar	1.5873	1.5873	1.0000	1.0000
U.K. Pound	1.0000	1.0000	1.5873	1.5873

Based on trade weighted changes from Washington agreement December 1971 (Bank of England index=100).

CURRENCY MOVEMENTS

March 15	Bank of England	Morgan Guaranty	Index	Change
U.S. Dollar	84.7	84.7	84.7	0.0
U.K. Pound	65.0	65.0	65.0	0.0
U.S. Dollar	84.7	84.7	84.7	0.0
U.K. Pound	65.0	65.0	65.0	0.0
U.S. Dollar	84.7	84.7	84.7	0.0
U.K. Pound	65.0	65.0	65.0	0.0
U.S. Dollar	84.7	84.7	84.7	0.0
U.K. Pound	65.0	65.0	65.0	0.0
U.S. Dollar	84.7	84.7	84.7	0.0
U.K. Pound	65.0	65.0	65.0	0.0

The European Unit of Account has been replaced by the European Currency Unit, which has the same value.

EXCHANGE CROSS RATES

Mar. 15	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canadian Dollar	Belgian Franc
Pound Sterling	1.0000	2.0365	3.788	491.8	4.725	3.435	4.093	171.5	2.389	60.00
U.S. Dollar	0.491	1.0000	1.864	207.1	4.365	4.682	2.010	171.5	1.178	50.00
Deutsche Mark	0.264	0.536	1.0000	111.3	2.799	0.905	1.075	481.5	0.630	16.81
Japanese Yen	0.271	0.488	0.998	1.0000	2.69	0.905	1.075	481.5	0.630	16.81
French Franc	0.224	0.234	0.350	0.884	1.0000	0.936	0.681	196.3	0.278	6.97
Swiss Franc	0.292	0.294	1.108	123.1	2.547	1.0000	1.185	600.0	0.698	17.25
Dutch Guilder	0.244	0.247	0.927	103.1	2.182	0.837	1.0000	418.4	0.584	14.96
Italian Lira	0.284	0.284	0.216	244.5	0.095	2.000	2.390	1.0000	1.395	35.94
Canadian Dollar	0.419	0.689	1.589	178.5	0.682	1.484	1.715	718.8	1.0000	25.12
Belgian Franc	1.667	3.395	6.355	703.9	14.84	8.708	8.881	2894.1	3.488	88.15

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one month 10.30-10.40 per cent; three months 10.45-10.55 per cent; six months 10.75-10.85 per cent; one year 10.75-10.85 per cent.

Mar. 15	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian \$	Japanese Yen
Short term	11 1/4-12 1/4	10 1/2-10 3/4	9-10	6 1/2-7 1/2	7 1/2-8 1/2	4 1/2-5 1/2	4 1/2-5 1/2	7 1/2-8 1/2	10 1/2-11 1/2	6 1/2-7 1/2
7 day's notice	11 1/4-12 1/4	10 1/2-10 3/4	9-10	6 1/2-7 1/2	7 1/2-8 1/2	4 1/2-5 1/2	4 1/2-5 1/2	7 1/2-8 1/2	10 1/2-11 1/2	6 1/2-7 1/2
Month	11 1/4-12 1/4	10 1/2-10 3/4	9-10	6 1/2-7 1/2	7 1/2-8 1/2	4 1/2-5 1/2	4 1/2-5 1/2	7 1/2-8 1/2	10 1/2-11 1/2	6 1/2-7 1/2
Three months	11 1/4-12 1/4	10 1/2-10 3/4	9-10	6 1/2-7 1/2	7 1/2-8 1/2	4 1/2-5 1/2	4 1/2-5 1/2	7 1/2-8 1/2	10 1/2-11 1/2	6 1/2-7 1/2
Six months	11 1/4-12 1/4	10 1/2-10 3/4	9-10	6 1/2-7 1/2	7 1/2-8 1/2	4 1/2-5 1/2	4 1/2-5 1/2	7 1/2-8 1/2	10 1/2-11 1/2	6 1/2-7 1/2
One year	11 1/4-12 1/4	10 1/2-10 3/4	9-10	6 1/2-7 1/2	7 1/2-8 1/2	4 1/2-5 1/2	4 1/2-5 1/2	7 1/2-8 1/2	10 1/2-11 1/2	6 1/2-7 1/2

Long-term Eurodollar deposits: two years 10 1/2-11 1/2 per cent; three years 10 1/2-11 1/2 per cent; four years 10 1/2-11 1/2 per cent; five years 10 1/2-11 1/2 per cent. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

New York rates steady

Conditions in New York remained somewhat subdued yesterday and Federal funds were trading at 10 1/4-10 1/2 per cent, slightly easier than Wednesday. Treasury bills were quoted at 8.49 per cent for 13-weeks against 8.49 per cent earlier with 26-week bills also at 8.49 per cent, compared with 8.51 per cent. One-year bills moved marginally to 9.43 per cent from 9.44 per cent while dollar CDs showed very little change at all.

FRANKFURT—Interbank money market rates remained steady in

comparison to Wednesday's levels, with call money at 4.2-4.3 per cent against 4.25-4.30 per cent and one-month money at 4.24-4.3 per cent compared with 4.25-4.35 per cent. Three and six-month money rates were unchanged at 4.35-4.45 per cent and 4.55-4.75 per cent respectively while the 12-month rate firmed slightly from 4.95-5.0 per cent to 4.95-5.05 per cent.

PARIS—Short-term interest rates continued to decline yesterday with call money at 6 1/2 per cent from 7 per cent on Wednesday, and one-month money at

6 1/2-

Indices

Mar. 17	Mar. 18	Mar. 19	Mar. 20
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	24	13	12	11
Industries	845.57	846.55	844.55	842.55
Time Funds	84.82	84.43	84.49	84.64
Transport.	214.55	218.56	215.57	214.51
Utilities	102.59	103.58	103.55	104.15
Vocating vol. COO'21	54,855	51,175	55,740	53,590
Day's High	852.56	low	841.74	
Ind. div. yield %			Mar. 9	
			5.87	

	Mar. 14	Mar. 15	Mar. 18	Mar. 9
Industrial	111.12	111.22	111.17	110.85
Composite	88.71	88.94	88.57	88.54
				Mar. 7
Ind. div. yield %				5.17
Ind. P/E Ratio				8.95
Long Gov. Bond Yield				9.01
NYSE ALL COMMON				1978-79
Mar.	Mar.	Mar.	Mar.	

14	18	12	0	High	Low
5.06	5.99	5.87	55.51	60.50 (11%)	48.27 (9%)
MONTREAL					
				Mar. 14	Mar. 15
Industrial				241.58	240.98
Combined				242.58	241.88
TORONTO					
				1419.4	1414.1
WHEAT					
				262.5	256.0
Gold				262.4	301.2
Industrial					
	Mar. 16	Pro- vise	1975- 96	High	Low

Country	1988-89	1989-90	1990-91	1991-92
Australia (a)	388.86	591.84	593.06	811.16
Canada (a)	—	105.84	105.82	80.43
Denmark (a)	—	—	252.79	273.66
Finland (a)	74.75	93.88	85.36	68.08
France (a)	—	—	14.66	39.10
Germany (a)	—	—	23.47	47.65
Holland (a)	751.7	787.3	863.2	759.4
Italy (a)	—	—	19.10	17.50
Japan (a)	77.0	77.1	85.1	78.0
South Korea (a)	848.08	840.32	107.70	381.4
Sweden (a)	78.84	78.78	82.85	86.40
Switzerland (a)	—	—	22.61	10.45
Taiwan (a)	448.77	447.78	434.57	364.04
United Kingdom (a)	161.40	558.58	616.50	226.0
United States (a)	—	—	6.09	9.11

	Mar. 8	Aug. 8
Oil (25 cents)	10.70	10.70
NMNL Australia	10.98	10.98
Polio Petroleum	11.55	11.55
Polio Exploration	11.55	11.55
Polio Petroleum	10.70	10.70

[illegible]

Top Rubber (50 cents)	10.95	-0.01
Top Rubber (50 cents)	10.95	-0.01
Er Smith	2.98	-0.01
Leavours Resources	10.22	-0.01
Industries	15.30	-0.06
Property Trust	10.22	-0.01
Maker	12.43	-0.01
Australia	10.96	-0.01
Cooper	10.35	-0.02
Earnings Industries	10.90	-0.01
Aberian Minerals	11.25	-0.01
David	11.17	-0.02
David	10.96	-0.01
Exploration	10.69	-0.05
Tram Minerals	10.14	-0.01
Holding	10.96	-0.01
Empire	1.50	-0.01
David	12.46	-0.02
International	10.96	-0.01
China Holdings (50c)	10.96	-0.01
Bridge	11.46	-0.04

Search	10.12	+0.01	
Concrete	10.44	+0.02	
Concrete	10.44	+0.02	
Kiddie & Colman	12.69	+0.05	
Engl (H.C.)	10.63		
Engineering	10.25		
Explosives	10.40		
Marinas Nat. Trans.	11.43	-0.01	
Marinas Nat. Trans.	12.03	-0.01	
Marinas (S)	12.01	-0.01	
Marinas Mining (50c)	12.30		
Marinas Mining (50c)	11.55	-0.01	
Marinas Mining (50c)			

tainae	499.5	+6.5	28.6	8.3
tyques	71.3	-1	42	9
N. Gervais	474.5	+15.5	60.5	8.4
refour.	1,700	-5	75	4
E.	392	+6	31.5	8.8
R. Alcant	598	-	70.5	7.2
nt	494	-	25	7.5
N Mediter	440	+1.5	13	8.7
lit C.M.Fr.c	136	-	9.5	1.7
not Loir	552	-6.1	-	-
et	344.3	-	35.75	6.1
usot	194.3	-	13	9.6
Occid'nt'le	260.5	+1.5	10.5	4.2
tal	45.5	-7.5	6.7	12.5
Guas Borel	104.2	+1.2	-	-
qurs	232	-	16.7	7.2
880	580	+6	15.35	9.4
19.2	19.2	-	15.35	9.4
ns Phoen	529	-	39.8	7.5
lein "B"	1,009	-10	37.5	5.4
thnnes	494	-3	12.5	2.4

	1956	1957	1958	1959
de Cse De	135.6	—	1.25	2.4
bas	26	—	—	8.6
chney	76.2	+0.3	7.5	3.9
not Howard	295	+5	7.5	2.6
not Croton	363.5	+0.3	17.26	4.7
not	408	—	—	—
lot Chrique	405	+7.4	27	5.5
oute	105.4	+11	20	6.6
ne Poulens	145.4	+2.4	9	8.6
Chique	34.5	-0.3	14.55	10.5
Rosmond	1.60	—	—	2.1
not	277	+1	27	3.7
meonique	722	+3	25.5	3.5
meon Brandt	710	+1.5	15.15	7.2
not	11.90	+0.25	—	—

Mar. 15	Cruz	Div.	%
Arbitra	0.87	-0.06	0.12
Código Brazil	1.43	+0.02	0.12
Itaú PN	1.03	-0.37	27.48
Mutual PN	1.58	+0.65	0.28
América PN	2.08	+0.65	0.29
Brasil PN	1.81	+0.03	0.18
Off. PN	1.50	-0.06	0.16
Cruz OP	1.78	-0.60	0.21
PE	5.50	+0.85	0.28
Doce PN	1.22	+0.60	0.17

Owner Cr \$3.4M. Volume 63.2M.
Source: Rio de Janeiro SE.

Banco Zaragozano	253	—
Bankunion	151	+
Carreños	210	— 3
Compañía Zinc	97	— 2
Coca (1,000)	82.25	— 0.75
Gal. Pelaezquez	72	—
Gal. Pelaezquez (400)	165	—
Inditrol	75.75	— 0.75
Berduno	71.50	0.75
Errolber	100	—
Errolber	171	— 2.75
Errolber	46	—
Errolber	130	—
Errolber	78.25	+ 0.25
Errolber	72.50	— 0.50

McCarley, Rodway	0.72	xd	+0.00
NedBank	3.25		
OK Bazaars	7.70		+0.00

[illegible]

III OP.....	1.60	-0.06	0.16	10.00	Iberduero	76.75	-0.75
ca Cruz OP.....	1.78	-0.06	0.21	11.79	Petaliber	71.50	-0.75

PE	5.30	+0.05	0.25	4.71	Petroleos	171	-2.75
Modoca PP	1.22	+0.05	0.17	15.95	Snlace	46	-
					Sagaf		-

over Cr.93.4m. Volume 63.2m. Source: Rio de Janeiro SE.

$$r_{\text{max}} = 0.50$$

Figure 1. The effect of the concentration of the *Agrobacterium* suspension on the transformation efficiency of *Agrobacterium* strains.

1. The first group of respondents (n = 10) was composed of individuals who had been involved in a previous research project on the topic of organizational commitment. This group was used to test the reliability of the questionnaire and to provide feedback on the questionnaire's design. The second group (n = 10) was composed of individuals who had not been involved in a previous research project on the topic of organizational commitment. This group was used to test the validity of the questionnaire and to provide feedback on the questionnaire's design. The third group (n = 10) was composed of individuals who had been involved in a previous research project on the topic of organizational commitment. This group was used to test the reliability of the questionnaire and to provide feedback on the questionnaire's design. The fourth group (n = 10) was composed of individuals who had not been involved in a previous research project on the topic of organizational commitment. This group was used to test the validity of the questionnaire and to provide feedback on the questionnaire's design.

ENERGY REVIEW: U.S. OIL AND GAS

The tangled web of controls

IN ORDER to comply with new U.S. gas producing regulations, energy companies have to supply regulatory officials with an average of 3 lbs of paperwork for each well. Continental Oil has just filed the necessary data for 1,000 such wells. The result, according to Mr. Samuel Schwartz, the company's senior vice-president for administration, was 14 tons of documentation, "assembled at enormous cost, and presumably, to be studied and audited, in the fullness of time, at even greater cost."

The Natural Gas Act which passed through Congress last year was designed to encourage the exploration for, and development of, more domestic gas through the gradual decontrol of pricing. The significant improvement of gas production in recent months would indicate that, initially at least, the ambition is being fulfilled.

However, the energy industry is questioning with increasing vigour whether the aims could not have been met with fewer regulations and less documentation. "The questions are pertinent at a time when President Carter's Administration is considering ways of decontrolling domestic crude oil prices to bring them more into line with worldwide market levels. Proposals will be announced probably within the next two or three weeks and oil producers are concerned that they may be confronted with something akin to the Natural Gas Act. In principle, this latter piece of legislation will decontrol the price of certain categories of natural gas production in 1985 although in the intervening years it considerably broadens the regulation of gas prices. It also includes the extension of such regulation to gas produced and sold within a single state—the so-called intrastate markets—a category previously left uncontrolled."

Monkey Wrench

Under the Natural Gas Act there are now no less than 34 categories of gas, each subject to its own particular price treatment. With this in mind, Mr. Henry Lippitt II, the executive secretary of the California Gas Producers Association, has nominated the U.S. Energy Regulatory Commission for a tongue-in-cheek Monkey Wrench Award of the Month. In a letter to Representative Peter Peyser (Democrat, New York) Mr. Lippitt complains that the Commission has imposed an "intolerable, useless, and time-consuming reporting and filing requirement on 95 per cent of the smaller producers of natural gas in the U.S."

He has calculated that the 10,000 individual small and large natural gas producers in the U.S. could take a total of at least 30,000 to 40,000 man-hours to prepare merely the initial submissions required by the Regulatory Commission. The cost of this operation might be \$300,000 to \$400,000. It is estimated. However, according to Mr. Lippitt, the need for 95 per cent of these forms is non-existent. Only 5 per cent of the producers each sell more than 10bn cubic feet of gas annually and it is the activity of these which is to be closely monitored.

But the larger producers are worried too. Mr. Schwartz of Continental Oil told a Columbia University Energy Forum this month that his company's legal officers were having considerable difficulty in interpreting the regulations of the Natural Gas Act. As a consequence, many years of litigation might be in prospect. "During this litigation, uncertainties about the eventual outcome may impede the search for raw gas and the execution of contracts for gas already discovered."

This is the rub. At a time when the U.S. and other major energy consumers should be making a concerted effort to lessen their dependency on oil supplies from politically-sensitive Middle Eastern exporters governments are weaving a mesh of economic and environmental legislation that is inhibiting the development of alternative fuel and power supplies.

The price regulations surrounding U.S. production of crude oil is a case in point; one mentioned before in this column. Mr. Schwartz presented what he saw as the benefits of allowing U.S. crude prices to move in line with those on the international market. Proposing that "upper tier" oil prices, relating to recently drilled wells, should be decontrolled from June 1 and that "lower tier" oil prices (now about \$6 a barrel), relating to older wells, should be phased out by September 1981. Mr. Schwartz predicted that domestic oil production would be increased by 90,000 barrels daily in 1979, by 250,000 b/d in 1980 and 500,000 b/d in 1981. In addition some 300,000 b/d would be saved in 1980 through energy conservation stimulated by the higher real prices.

The reduction in oil imports



—around 550,000 b/d in 1980—would strengthen the U.S. dollar in international currency markets and thus ease import costs. This benefit would help to offset the impact of higher domestic oil prices on the Consumer Price Index.

Mr. William Lane, director of the U.S. Energy Department's Office of Competition, is broadly in agreement with the benefits of price decontrol. As he told the Columbia University forum, every barrel of oil imported by the U.S. adds to the strain on world supplies and contributes to higher prices. It had been calculated that the net effect of 1m barrels a day imported into the U.S. was a 25 cents rise in world oil prices; in other words U.S. imports of 9m barrels a day are, in themselves, contributing \$2.25 a barrel to the current level of oil prices. What is more, by reducing its imports the U.S. could save money on the amount of oil it would have to store in its Strategic Petroleum Reserve.

Against these benefits, however, must be set the political considerations. Higher domestic oil prices would not only have a direct impact on inflation; they would also have a psychological effect on those negotiating within the current wage guidelines. Mr. Lane said the Administration was also naturally worried about providing oil companies with "windfall profits." It was also important for the Administration to decide whether or not it would always allow domestic prices to track world oil prices. Adding a novel twist to the argument, Mr. Lane also pointed out that by completely decontrolling domestic oil prices, the Government would be sacrificing a regulatory function which would permit prices to be charged that were higher than those on the world market. These might be necessary to stimulate so-called enhanced oil recovery techniques; costly production methods employed to extract some of the remaining hard-to-get oil in old reservoirs.

Crucial sector

The energy sector of commerce is far too big to be left alone. Its activities are crucial to the social and economic well-being of countries as well as their security; the environmental implications of its operations are of concern to everyone. But it is worth asking whether the regulations designed to reflect these concerns are now inhibiting the expansion and diversification of energy production also needed for our well-being. There is some evidence to suggest that the answer may be yes. The regulatory procedures for new coal mines and nuclear power stations in the U.S. have drastically slowed the develop-

BY RAY DAFTER, in Cambridge, Mass.

ment of these much needed energy sources. A few years ago the Administration's over-ambitious Project Independence plan foresaw domestic coal production reaching perhaps 2bn tons a year by 1985; today it seems likely that the output will be no more than 800m tons a year.

Growth industry

Mr. Robert Yancey, president of Ashland Oil, cites Government regulation as America's number one growth industry. Since 1974, he told the Columbia forum, the federal regulatory budget had more than doubled; since 1976 the number of regulators had more than tripled, increasing at a rate four times that of federal employees as a whole. According to the American Petroleum Institute federal regulation could cost the U.S. \$108bn this year—"about \$500 for every man, woman and child in the country."

"Overall, the regulated sector of the economy has grown to nearly one-third of the Gross National Product," Mr. Yancey lamented. "Some Government rules and guidelines are undoubtedly necessary, but we are rapidly strangling ourselves and our economy in a morass of Government regulations and red tape."

Mr. Yancey pointed to more specific effects of increasing regulation. Only one new refinery plant of any size had been constructed in the U.S. in the past decade and it was said before it began work because of a change in the regulations. The country needed further refineries and yet, he argued, the regulations encouraged the construction of only very small, inefficient plants.

Since 1970, some 13 East Coast refinery projects had been aborted because of state or local action on environmental grounds. "One would-be refiner has spent nine years and \$8m trying to get permits to construct a new refinery in Virginia, and is still not able to turn the first spade. If built, the plant will now cost about seven times the original estimate," said Mr. Yancey.

Only this week, BP-controlled Standard Oil of Ohio (Sohio) announced that it was abandoning its plans to build a \$1bn pipeline to carry Alaskan crude oil from Long Beach, Calif., to Midland, Texas. The reason, according to Mr. Alton Whitehouse, Sohio's chairman was "endless government permit

procedures, pending and threatened litigation and the prospective unavailability of two natural gas lines which Sohio proposed to convert to the oil pipeline." Sohio is expected to write off about \$80m in costs so far incurred on the pipeline project.

Such anecdotes and complaints are by no means peculiar to the U.S. The UK oil industry has voiced its concern about the growth of controls in the North Sea, for instance. It may have an unexpected ally in its state-controlled competitor, the British National Oil Corporation—itsself the outcome of some wide-ranging regulatory legislation. By operating alongside private companies BNOOC is able to spot the regulatory knots perhaps more easily than the regulators. This has certainly been the case with the guidelines governing oil exports; BNOOC has been a moderating influence here, seeing the wisdom of trading crudes of varying quality rather than insisting on a fixed percentage of North Sea production being refined in the UK as was the original policy.

Petro-Canada — BNOOC's counterpart in Canada — sees itself as a catalyst for the oil industry and not a threat to it according to Mr. Bill Hopper its president, writing recently in the Oil and Gas Journal. "I look at some of the things that happen in Washington—some of the unrest and suspicion of the major oil companies within regulatory bodies and within Congress."

"But Petrocan has helped our Government by giving it an insider's view. And government officials feel they are better served with that kind of advice than the kind they get from industry associations and companies in general, which tend to be pretty self-serving."

This may be taken as a cue by some on Capitol Hill to resurrect their idea of a U.S. state energy corporation in the interest of regulatory non-proliferation. It would not be a welcome move to private industry. Indeed, there is little evidence that it would be welcomed in the country as a whole where there seems to be a general disenchantment with the few state organisations that do exist. So the Administration may have to find another way to untangle some of the controls that seem to be strangling energy producing efforts. There can be little doubt that something will have to be done if the U.S. is to ease its dependence on imported oil.

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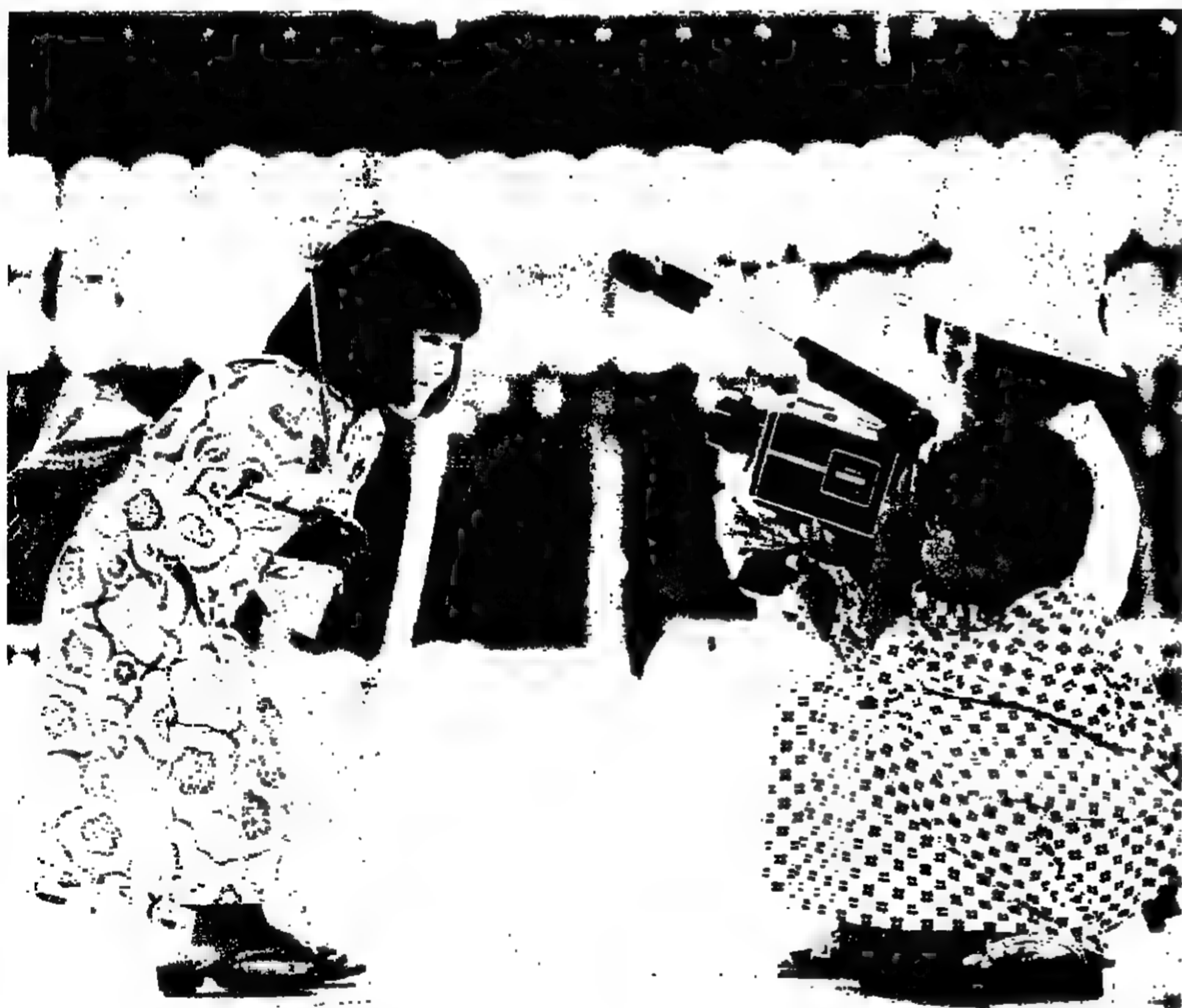
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FINANCIAL TIMES SURVEY

Friday March 16 1979

فكر من الأهل

CANADIAN BANKING and FINANCE

Canadian bank profits have been soaring in spite of economic difficulties and delays to the passage of a new Bank Act. When it comes it will allow foreign-owned banks to be set up.

Foreign banks at the gates

CBC

W. L. Luetkens

FINANCIAL institutions in Canada are having to contend with an uncertain regulatory environment and with an economic outlook that is mixed—from good to indifferent.

revision of the Bank Act, which is expected to be passed in 1980, will then will the chartered banks, which are the main financial world, know rules under which they will have to operate for the next 10 years until another revision is due.

does, however, appear that the Act eventually passed will depart too drastically from the current law. If so, it would not be the foundation of a new financial world. It would be a world of factoring and leasing, though, and the banks, though, as certain safeguards. It is also possible that the banks are under in granting mortgage loans, much to the chagrin of the mortgage companies, and also of the trust

companies, second strongest element on the country's financial scene.

To add to the trust companies' worries, they have been caught in a particularly awkward interest rate cycle. Because of the weakness of the Canadian dollar, administered interest rates have been pushed up by the authorities, and as an indirect consequence the cost of the trust companies' funds has climbed. On the other hand mortgage interest, a large source of their income, has remained much more stable. In Canada it is usual to renegotiate mortgage interest once every five years. In contrast to the British practice where rates can be adjusted as required. Over and above that, for demographic reasons housing demand and with it demand for mortgages is expected to begin to decline in Canada within the next decade.

Assets

The chartered banks, on the other hand, with aggregate assets of \$31.1278 bn, as against the \$23.3 bn of the trust and mortgage companies, are near the top of their cycle. Rising administered interest rates have increased their spreads. They have also benefited at least nominally from the falling exchange rate, since much of their business is denominated in foreign currency, mainly U.S. dollars. Their aggregate foreign exchange assets have surpassed \$25 bn.

The immediate prospect is for continued high interest rates, so analysts are forecasting that the after-tax balance of revenue of the chartered banks will increase by about 20 per cent this year following a rise of 32 per cent in the year of account to October 31 last and one of 10 per cent the year before. To

wards the end of this year interest rates should be on their way down again, but there is the prospect of some compensation from increasing volumes of business. The Canadian economy has performed differently since the mid-1970s, but there are signs that manufacturing industry may wish to step up investments late this year or early in 1980. However, the prospects of lasting improvement are none too certain: a serious U.S. recession—not to speak of international complications—could change the picture.

Hopes of a revival of investment are largely based upon the beneficial effects of the devaluation of the Canadian dollar from a peak of U.S.\$1.03 late in 1976 to somewhere around U.S.\$0.63 now. There is reason to believe that the Canadian Government wants to keep the rate from going below the present level, both for political reasons in an election

year and in order to avoid the inflationary effect of a further decline of the currency. The Minister of Finance, Mr. Jean Chretien, has come forward with an estimate that the Canadian economy will show real growth of 4.4 per cent this year. Even if the world climate should be favourable those figures are almost certainly too high: 3 per cent, perhaps 3.1 per cent is likely to be closer to the mark. The Progressive Conservatives, who stand a good chance of forming at least a minority government after the elections, have promised stimulatory measures, but it is difficult to see how to finance such measures, and even whether they could succeed. Although there are signs that the economy is stronger than generally believed, 1979 is unlikely to be a brilliant year.

Since the passing of the Bank Act of 1967, which opened the chartered banks' way into consumer credit, their Canadian

MAIN CANADIAN BANKS

	Total assets		Balance of after-tax revenue		Euro-syndications	
	At 31.12.78 (C\$bn)	Increase 1978 (%)	1978 (%)	Year ended 31.10.78 (C\$bn)	Manager	Co-manager
Royal	44.2	24.0	32.4	233.9	23 (\$6.1bn)	33 (\$6.2bn)
Imperial of Commerce	40.2	22.7	27.9	193.5	10 (\$5.3bn)	45 (\$7.5bn)
Montreal	33.7	30.0	28.5	191.3	25 (\$6.5bn)	37 (\$5.5bn)
Nova Scotia	28.5	29.0	45.4	153.9	6 (\$2.8bn)	30 (\$7.1bn)
Toronto-Dominion	24.4	25.5	34.8	129.2	9 (\$5.0bn)	40 (\$10.5bn)
Canadian National	8.1	19.1	22.6	29.7	2 (\$1.3bn)	n.a.
Provincial	5.3	21.8	22.7	18.9	2 (\$1.3bn)	n.a.

Sources: Canadian Bankers Association, Euromoney, Dominion Securities.

dollar assets have multiplied by a factor of 4.8 (whereas their foreign exchange assets have multiplied by 10.1, giving overall growth by a factor of 5.3). The trust and mortgage companies, which have counter-attacked by becoming something very close to retail banks (including a chequeing facility in the case of trust companies) have multiplied their total assets by more than five. Everyone has been outdone by the credit unions, and their Quebec equivalent, the Caisses populaires, which have multiplied by a factor of almost seven to total assets of \$22.2bn.

Innovation

The biggest innovation expected from the revised Bank Act when it comes into force will be a removal of the ban on foreign-owned banks, a subject that is considered in a separate article in this survey. A point to remember, however,

processing services. The banks themselves are extremely anxious to use their computer capacity to make up pay packets on behalf of their commercial customers, but it is doubtful whether that will be conceded.

The banks have been upset by a proposal to impose a 3 per cent monetary reserve on deposits in foreign exchange which are used domestically. They say it will diminish their competitive strength by adding to their costs. The argument has met with some sympathy. Foreign exchange deposits made by Canadians have grown rapidly to above \$210bn since the Canadian dollar began to decline in 1976. Since the increase in part reflects Canadians taking positions against their own currency, there has been sporadic talk of exchange controls. However, movements on capital controls are extremely unlikely unless someone becomes desperate, simply because they would be almost impossible to enforce.

Settlements

Initially, in its White Paper of 1976, the Government had proposed to bring the trust companies and Caisses into the clearing and settlements system that was to succeed the settlements system at present run by the chartered banks. But the provincial governments objected, since federal responsibility extends only to banking proper. The proposal, which would have involved the non-bank members maintaining monetary reserves with the Bank of Canada, for which they would not have been paid interest, has been made inoperative.

But even so, some of the non-banks are beginning to wonder about the future. The most obvious case is that of IAC, the



Finance Minister, Mr. Jean Chretien: piloting the new Bank Act.

country's largest sales finance company, with assets approaching \$350m, which has decided to turn itself into a bank in order to take advantage of the more favourable capital ratios that will be available to it after the transformation. Its shiny new glass and steel palace is now rising in the heart of the Toronto financial quarter.

Similar transformations will be undertaken by many foreign-owned so-called banks once the legislation has been passed. On the whole the Canadian banks have said, though not unanimously, that they would welcome the giving of bank status to the foreigners. Turning the foreigners into bankers officially will actually increase the degree of control over them, but in any case the Canadian bankers could hardly say no, given the size of their own international involvement.

Création de nombreux emplois spécialisés

shifting of power

balance of power

Major new projects for Saskatchewan

Uranium discoveries come in quick

Look for big '79 exports

even if U.S. slows down

It's boom time for steel

Northern pipeline may be just the icing on the cake as industry stages turnaround

Activity in manufacturing considerable increase

C\$ and US\$ moving up in '79?

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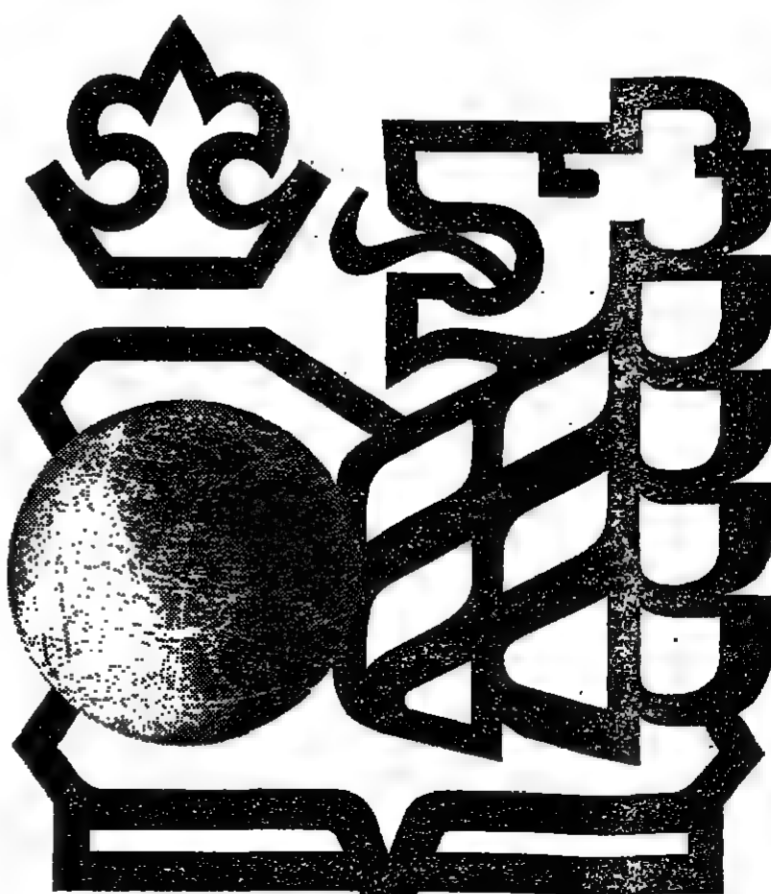
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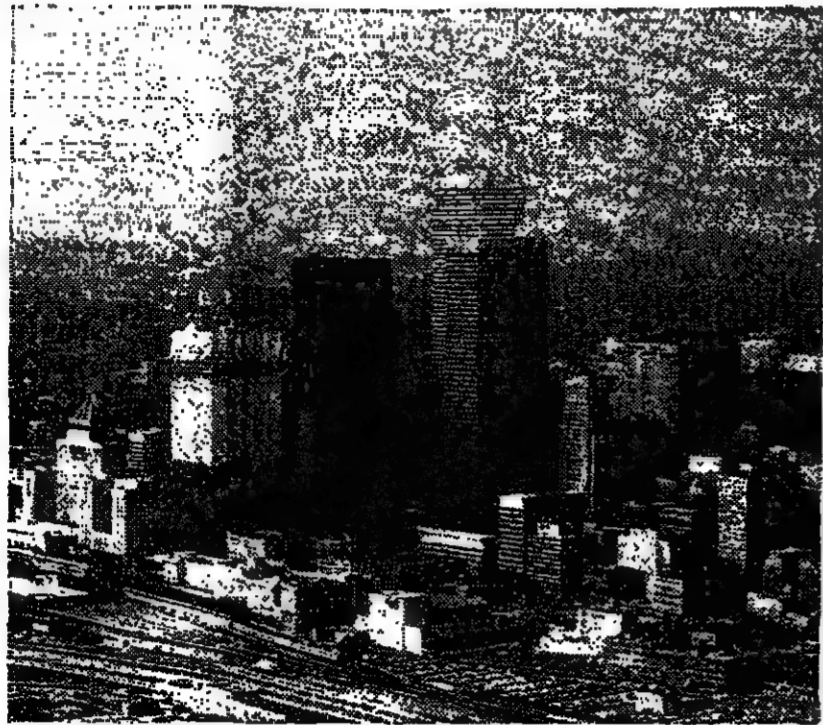
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Profits spree for the banks

CHARTERED BANKS, the heavyweights among the Canadian financial institutions, are in the middle of a profits spree that can have had few parallels. The balance of revenue after tax rose by 32.4 per cent in the year of account to October 31 last, having gone up by 10 per cent in the year before. Bank analysts in Toronto and Montreal expect another increase in the region of 20 per cent in 1978-79, though the second half of the year may see the turning point.

Three elements contributed to the excellent showing in 1978-79. The decline of the Canadian dollar from about U.S. cents 80 in November, 1977, to U.S. cents 85 in October, 1978, boosted the value in the banks' books of the great volume of their foreign business. The rise of Canadian-administered interest rates, imposed to steady the exchange rate, caused spreads to widen. Finally, the banks discovered several tax-free so-called loan substitutes, which helped them to shave tax rates.

A Montreal analyst, Mr. Victor Koloschuk of McLeod Young Weir, estimates that but for these factors profits would have risen not by a third but by less than 8 per cent in 1977-78. For several reasons the additional boosters to bank profitability may not be as powerful in the future as in the past.

For a start, the effect of rising interest rates may have been largely spent. With the prospect of a recession in the U.S. later this year the trend of administered interest rates is likely to be downward, even though economists in Toronto foresee the possibility of one more rise of prime rates by the summer. However, once U.S. interest rates begin to weaken, Canada is sure to follow since Canadian rates were pushed up merely for exchange rate reasons to keep a spread above the rates prevailing in the U.S.

One is on much unsafest ground in speculating about the Canadian exchange rate. The consensus in Canada is that the present level is a band around U.S. cents 84 or thereabouts, the Canadian dollar should be pretty stable. Impediments abound, but it may even strengthen a bit later this year, which could see the removal of some political uncertainties, as well as a decision to increase exports of Canadian natural gas to the U.S.

On the other hand, nobody foresees a strengthening of the Canadian currency pronounced enough to make a serious dent in the somewhat nominal profits that have resulted from the steady decline of the exchange rate since November 1978. The tax device of the so-called loan substitutes has lost some of its attractions, but only some.

The device consisted of substituting certain esoteric securities (such as floating or fixed rate term preferred shares) with preferential tax treatment for straightforward commercial loans. So popular did it become that Mr. Jean Chretien, the Minister of Finance, partly plugged the loophole in November 1978. He removed the tax privilege where the deal was for a period of less than ten years. But all deals already in the pipeline were spared.

Judging by the first quarter results of the chartered banks they had acted on the advance knowledge that something was afoot. Nevertheless it must be assumed that the share of the so-called loan substitutes in their total assets will decline after the current year of account.

Unless something new comes along, therefore, the chartered banks will have to rely on asset growth, and above all on foreign business, for further expansion. The possibility of their advancing deeply into the field of leasing as the result of likely changes to banking legislation is discussed in the introductory article of this survey. The chances of asset growth for cyclical reasons must be accounted high, unless the world environment deteriorates dramatically.

Devaluation

The reason for saying so is that the devaluation of the Canadian dollar has clearly worked through to Canadian industry. The most recent quarterly reports from the banks show that demand for business loans (as well as for personal loans) has been picking up.

But the very structure of Canadian balance sheets shows that the real growth potential is abroad. Something like one-third of the assets and a similar proportion of the after-tax balance of revenue is foreign. These are average figures: in the case of at least one bank the proportion is about half. The main element is syndicated Euro-lending, an activity in which the Canadian banks have been to the fore.

At times there has been criticism of some of the banks for being tempted into the growing business of lending abroad, even though the risks inevitably have been higher than at home. So when the Shah fell, the analysts began trying to ferret out what the exposure of the Canadian banks might be in Iran.

The figures are collected, but are kept confidential within the banking industry and the regulatory authority. There is reason to suppose, however, that the estimate produced by Mr. Kersi Doodah, analyst for R. A. Daly

in Toronto, is not wide of the mark. He estimated the total exposure of Canadian banks in Iran at C\$380m, of which a substantial proportion must be covered by export credit guarantees. Measured against the total assets of the chartered bank system of C\$189bn that does not appear especially grave.

In all, the Canadian banks' lending in the Euromarkets totalled C\$23.2bn at the end of 1977-78, having grown in a year by 29.5 per cent, even after deducting that part of the increase which was merely a result of the falling exchange rate. Spreads were under pressure at one time, but the hope is now held out of an improvement this year.

In any case the chartered banks clearly have not lost their appetite for this business. Royal Bank, largest of the chartered banks, is going ahead with a merchant bank affiliate in London; the Canadian Imperial Bank of Commerce has set up an investment bank there in partnership with Hambro; others are likely to follow. Even the smaller chartered banks—such as the Bank Canadian National and the Provincial Bank, which still show the evidence of their origins as regional banks in Quebec—are increasingly involved in the international game. Bank Canadian National is already in London: Provincial Bank will soon open an office there.

Mr. Germain Perrault, president of Bank Canadian National, whose business is heavily concentrated in Quebec, looks forward to a time when one-third will be abroad, one-third in Quebec, and one-third in the rest of Canada. In the case of the Provincial Bank, foreign income already contributes 31 per cent to the after-tax balance of revenue.

Historically speaking, the foreign business of Canadian banks goes back to the 19th century when they established branch networks in the then British-ruled West Indian islands and also along the west coast of the U.S. Those networks have largely fallen victims to history and also to changes in the financial world. On the whole the chartered banks are displaying a fading interest in doing retail business abroad, even where regulatory authorities allow it. Several branches in London have been closed in recent years. Instead the trend has been into the centres of wholesale banking.

One important exception has, however, occurred in the past few months. The Bank of Montreal proposes to buy 89 of Bankers Trust's 104 retail branches in New York with total assets in the region of US\$1bn. The sale has not yet been finally agreed and in any case is subject to approval by

the New York State regulatory authorities.

Mr. William Mulholland, President of the Bank of Montreal, has said that the purchase would give added stability to his bank's funding in U.S. currency. Another reason may be that the Bank of Montreal, having grown up in the Canadian-British environment of multi-branch banking, feels that it can make a success of the New York operation. It also may have computer capacity to spare, which could be well employed servicing the branches it wants to purchase from Bankers Trust.

A rather less startling takeover has been carried out, albeit provisionally so far, by Mr. Michel Belanger, President of the Provincial Bank. Like Mr. Perrault of Bank Canadian National, Mr. Belanger is breaking out of Quebec and has indeed already gone farther than his competitor. He acquired 18 branches in Ontario in 1977, when he took over Unity Bank, a huddlesome foundation and now has merged with Laurentide, a finance company previously owned by Power Corporation. The merger so far is provisional. If banking legislation at present before the Canadian Parliament should unexpectedly be changed, the Provincial Bank might yet have to divest itself of Laurentide, which has assets of C\$450m.

Laurentide does a lot of business in Quebec but is also strongly represented in the Canadian West—that area of the country which may have the greatest potential for economic expansion. The Provincial Bank is weak there. But though a bank such as Provincial cannot merely take over the branches of a finance company and start business, the personnel and local knowledge acquired with Laurentide should make the task easier. Mr. Belanger reckons that a new branch opened in a centre where the opposition is strong will need 4-5 years to become profitable; built on the base provided by Laurentide it should do so a good deal more speedily.

Provincial Bank's concentration in Quebec, and that of Bank Canadian National, puts them into a special position. The bigger chartered banks have greatly slowed the speed with which they are opening new branches. The number of about 7,000 is growing only slowly, and there is a case for arguing that the country may be over-banked. The urgency of the drive into the Euro-markets to some extent bears out the charge. But their overall profitability leaves little doubt as to the efficiency of the chartered banks.

W. L. Luetkens

Stock boom continues

THE STRONG bull market in 1978 that saw the Toronto Stock Exchange record the second-best yearly rise in prices in a decade has continued into 1979, with prices reaching the highest level on record in late February. Market volume has kept up with the dollar volume of trading in Toronto, which sets the pace in Canada, and was nearly twice as great in January and February as a year before.

About 80 per cent of the dollar value of share trading on the five exchanges in Canada takes place in Toronto; Montreal accounts for about one-seventh of trading, with Vancouver, Alberta and Winnipeg Exchanges sharing the remainder.

The rekindled interest in stocks dates back to the autumn of 1977 when new oil discoveries were made in the West Pembina field in Alberta. Oil and gas stocks have remained a steady factor in the price gains. Interest in Beaufort Sea discoveries, the Elsworth gas play in northern Alberta, and the gains for Canadian companies arising from the supply shortages caused by the difficulties in Iran have continued to focus attention on the group.

In addition, trading has been prompted by rising corporate profits as wage and price control came off, recognition that the assets of many companies are undervalued, and the impact of incentives given investors by the federal Government in the last two years. At times, take-over fever has spread and has out cash ready for reinvestment in many shareholders' hands.

A number of special factors have also been at play among the industry groups. Astonishingly high profits for property companies recently pushed that group's index to the largest one-week gain for a group since Toronto began calculating weekly index price changes in 1971.

High gold prices, even higher in Canadian dollar terms because of the decline of the

Canadian exchange rate over the last two years, have boosted the gold index; first signs of recovery in metals markets nudged up the mining index; and soaring forest industry profits caused above average gains on shares of forestry industry concerns.

The question facing the market in 1979 is: When will exhaustion set in? The peak of Canadian share prices has habitually lagged behind New York's peak in the current cycle, and many expect that the Canadian markets will soon follow New York down. In a recent monthly comment, Greenshields of Montreal said: "We believe that an intermediate correction is near which could carry the Toronto 300 [index] down to a range of 1,200 to 1,250 later this year [from a peak of 1,400]. Such a decline would provide investors with outstanding stock values."

Analysis of what will happen centres on interest rates and

while it is expected that there is little room for increases from current levels, they are expected to stay high throughout most of 1979. The spread between yields for long-term Canada bonds and the Toronto 300 index has widened. The bond yield has risen to 9.5 per cent while the average stock yield is now only 4.3 per cent, a spread of 5.5 points. Greenshields cautions that danger signs have flown in the past whenever the spread has widened past 5 points. The last time such a spread existed, in 1974, share prices plunged.

Furthermore, the investor has to take into account the prospects for the Canadian economy as a whole. In 1978 resource industries received a boost in profits and performance from the drop in the value of the Canadian dollar. Their star showing is unlikely to be repeated in 1979 as the dollar, while still weak, is unlikely to plunge much further and export markets soften as the U.S.

economy slides off. And while profits in general might still be expected to get some lift as Canada moves further away from controls, high interest rates are pushing up costs, and hampering corporate investment.

Moreover, the Canadian investors who keep their dollars in the stock market in 1979 may be gambling on the outcome of the federal election that Prime Minister M. Pierre Trudeau must call this spring or summer as his five-year term of office runs out. The leader of the opposition, Mr. Joe Clark, has promised that his Conservative Party will remove capital gains taxes on profits from trading in the shares of Canadian-controlled companies if he is voted into office. The election is rated a toss-up and share prices would be boosted immediately by a Conservative victory.

Jim Rusk

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CANADIAN BANKING AND FINANCE III

Foreign bankers face a dilemma

REIGN BANKERS established in Canada face a dilemma new regulatory legislation towards the statute book in excruciating slowness. Are they to apply for charters enabling them to describe their operations as banks once the laws permit them to do so? Are they to carry on their business without the benefit of magic words "bank" or "banking" as present law mitis?

As the law stands, foreign banks are not permitted in Canada, nor are they agencies of foreign banks. The most that the law allows is representative offices or shareholdings of up to 10 per cent in a Canadian bank. There is a loophole. Since the definition of a bank is not defined, a large number of foreign banks have been operating in Canada as investment companies, finance companies or under some other name. Some are incorporated under federal law, others under laws of Canadian provinces.

Mr. Michael Harrison, executive director of the Canadian Bankers Association, estimates by one means or another foreign financial institutions own jointly as quasi-banks, banks, or NBFI's, meaning bank financial institutions) a share of 12 per cent in commercial lending in Canada.

complete

The Bank of Canada has collected statistics showing that the assets of foreign banks reporting to it have grown from C\$1.6bn at the end of 1974 to more than C\$5.5bn now. But the figures are incomplete and show no more than the prevailing trend. One of their patchiness is a phenomenon of the so-called "near-bankers" who do business with Canadian clients from their offices without anything resembling a registered office of any kind within Canada. The U.S. makes that an easy score.

Overwhelmingly the business of near-banks and quasi-banks is wholesale banking. Those who are established in Canada normally fund themselves on the commercial paper market, where rates tend to be low. Nevertheless, there is no reason to suppose that the presence of the near-bankers from abroad has caused the spread of Canadian chartered banks to narrow over the years. One reason is that the near-banks, unlike the chartered banks, do not have to entertain interest-bearing monetary reserves with the Bank of Canada. But competitive pressures have also played their

part. In 1976, one year before the final Canadian Bank Act to have expired, the Canadian Government, in a bill, proposed a radical change which would have applied for bank charters.

From the beginning the proposal suffered from partly conflicting aims. In part it was intended to protect the Canadian banks; in part it was intended to stimulate competition.

It is a recurrent motif in Canadian economic history that nationalism and the desire for more openness and competition do clash. The case of foreign banks is no exception, for understandable reasons. Since some two-thirds of Canadian industry is controlled from abroad, mainly the U.S., there are fears that in a free-for-all U.S. banks could move in and scoop up the business of the companies with whose parents they deal at home. On the other side of the argument not only the pro-competitive aspect of the new proposal has to be considered. So important is the role of international business for the Canadian banks themselves that most of them cannot afford to lobby against the foreign bank presence—even if they wished to do so.

In its White Paper of 1976 and in the draft Bank Act which it tabled in 1978, the Canadian Government tried to thread its way between the various objections and obstacles. In summary it proposed that foreign banks affiliates should be allowed to become Canadian chartered banks (making them subject, for instance, to the Canadian regulatory authorities and to the need to keep monetary reserves). But a number of conditions were imposed.

The chief of these were as follows: no foreign-owned bank to have more than five branches; its total assets to be limited to 20 times the capital authorised by the regulatory authorities, with a maximum asset figure of C\$500m suggested but not actually in the draft; and a ceiling on the aggregate assets of all the foreign banks equivalent to 15 per cent of aggregate commercial lending in Canada. These proposed rules are almost certainly more restrictive than the present state of affairs. Moreover some foreign-owned institutions have already exceeded the limits. U.S.-owned Citicorp, which works in the leasing field, claims to have approached C\$1bn; a finance company owned by Bank of America already has 32 branches.

Further complications would arise from a proviso that a foreign bank establishing an affiliate in Canada would not be permitted to own more than 10 per cent in a non-financial Canadian corporation. The difficulties this can cause are obvious in the case of the so-called universal banks of continental Europe, or the Japanese banks. But others also have to watch out: the Midland Bank, for instance, has an NBFI in Toronto. But it also owns the Canadian end of Thomas Cook, the travel agent.

The draft legislation offers no easy option for those who would rather duck these restrictions by not applying for a charter, for it says that a foreign near-bank

shall not be allowed to borrow in Canada with the guarantee of its parent: to invoke that guarantee it will have to become a bank. The provision is reinforced by thin capitalisation rules which prevent an NBFI borrowing more than three times the amount of its equity from its foreign parent.

How big is this stick, which is intended to drive the foreign bankers into the corral of the new Canadian Bank Act? The loss of the parental guarantee should not be too serious for a well-established near-bank with adequate capitalisation and a parent company with a name to lose. In any case, the Canadian Government can hardly prevent a foreign bank from unilaterally guaranteeing the liabilities of its Canadian affiliate. Nevertheless, foreign near-bankers in Canada take the view that in a tight market the parental guarantee could make the difference for them between having spreads enabling them to show a profit and spreads that may not.

Unwillingness

On top of that there is the banker's usual unwillingness to cross the authorities in the country where he has to operate. It is simply a matter of prudence, and the pressures will be strong to apply for a charter once the new Bank Act is passed.

Before that happens Parliament may wish to change the Bill tabled by the Government. Committees of both houses have been holding hearings on the subject, and clause by clause hearings are yet to come. An election may disrupt things, although the general feeling is that the work done so far will not be entirely upset, even if there should be a change of government.

The Senate committee has shown a disposition to "grandfather" in existing situations, such as that of the institutions which exceed the limits at present proposed for size or that of the foreign banks with interests in Canada besides their purely financial affiliates.

In the Commons Committee there is a similar drift, though it appears to be less pronounced. The five branch limit is almost certainly dead—there even is a tendency to encourage foreign banks, once they exist, to go to some of the less prosperous Canadian areas, such as the Atlantic Provinces.

The \$500m limit on total assets of any one foreign bank will probably be indexed in some fashion, and it is plain that the intention to limit the foreigners to 15 per cent of total commercial lending will have to be reworked. It is full of illogicalities and would prove to be an administrative nightmare. As at present drafted, and given the present size of the market, it would limit the foreign-owned banks' assets to some C\$8bn, compared with the Canadian banks' total assets in Canadian currency of about \$120bn.

Instead there is a disposition in the Commons Committee to keep control by making foreign-owned banks apply periodically for a renewal of their licences. That would place great discretion in the hands of the regulatory authorities, and much would therefore depend on how serious Ottawa's belief will be in the virtues of competition.

It has to be emphasised again at this point that the final shape of the Act is not yet known. It has yet to be taken in detail in both Houses, the Government has yet to consider their wishes—and there may be an election before the Act passes.

When it does, Barclays Canada, an affiliate of Barclays International, the British group, intends to be the first to queue up for a charter, according to Mr. Mostyn Lloyd, the president. The company reported assets of C\$238m on September 30 and takes some pride in pointing out that, unlike the stereotype view of the foreign banker, it does not "cream off" big business. On July 31 last, 53 per cent of its loans were for less than C\$1m.

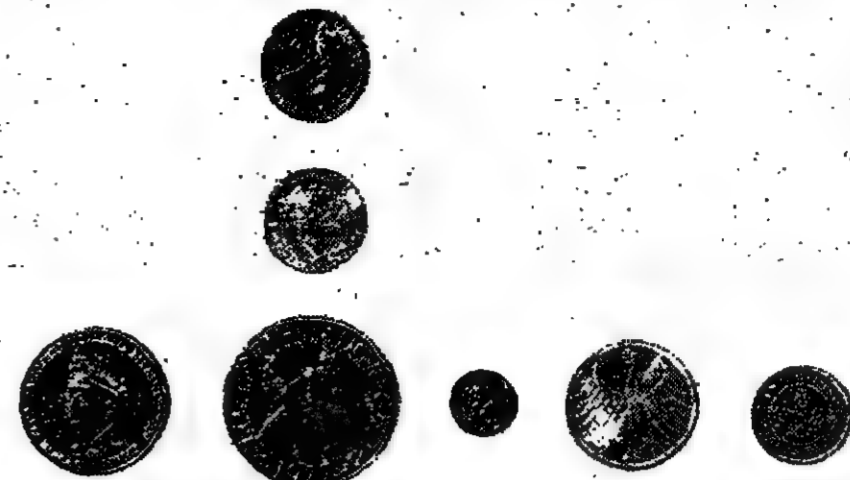
Besides Barclays, some 60 other foreign banks, 45 of them from the U.S., would open up immediately the new Act came into force, according to testimony before the Senate Committee given by Mr. Richard M. Thomson, president of the Toronto-Dominion Bank.

The Toronto-Dominion has been a good deal more critical of the proposal to allow foreign-owned banks in Canada, fearing above all that the Americans will collar the business of American-owned Canadian corporations. Mr. Thomson told the committee that the entire strategy in banking was "to go when you have the opportunity to do so"—and then to lobby to liberalise the regulations. A lot of foreign near-bankers might approve of those tactics. So might competition-conscious Canadian economists. But only the future will show what the regulatory climate really will be like.

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Insurance hit by price war

PROPERTY AND casualty insurance companies think the severe competition in Canada has flattened premium income profit margins in 1978 will continue into this year, bringing severe for premium increases especially for automobile and personal property insurance. Yearly forecasts of flat growth premium income in 1979, flat to the 4 per cent rise expected for 1978, but we'll see the 13.5 per cent increase 1977 when net written premiums reached \$5.8bn.

In contrast, Canada's major insurance companies expect continued strong sales performance in 1978 in the wake of a 14 per cent increase to \$bn this year, which was largely caused by a sharp surge group insurance sales. The Canadian Life Insurance Association, representing about 130 insurers, says that estimated sales for 1978 show a hefty rise of industry assets, a fit to greater investment in government bonds and Treasury bills.

Among property-casualty insurers, profit margins weakened in 1978, generally reflecting the widening of premium income with which resulted from sharp price competition, restrictions imposed by the federal Anti-Inflation Board and the Quebec Government's cover of some automobile insurance coverages last March. At the same time, sluggish economic activity in Canada has lured the opportunities for insurance industry growth that could result from a pickup of using and construction objects and corporate investment and development. Mr.

Daniel Damov, President of Travelers Insurance of Toronto, says that there will not be any sustained uptrend in the key economic factors.

For the first nine months of 1978, Statistics Canada reported that industry profits, after tax and extraordinary items, declined to C\$356m from C\$412.5m in the corresponding period of 1977. Underwriting profit, was down to \$108m from \$210m, while investment income, reflecting higher interest rates, rose to \$411m from \$345m. Net written premium income dropped to \$3.46bn from \$3.62bn, largely as a result of the competitive pressures that have artificially reduced premium price levels. Net earned premiums were up slightly to \$5.37bn from \$5.33bn. Net claims incurred were up to \$2.09bn from \$1.99bn and the loss ratio increased to 61.8 from 59.8 per cent.

However, profit comparisons are distorted by the effect of the Anti-Inflation Board rulings on excess revenue earned in 1977. In accounting for these dispersals, some companies showed reduced earned premiums because they had to make premium refunds. Others lowered premiums, while still others treated the returns as expense items.

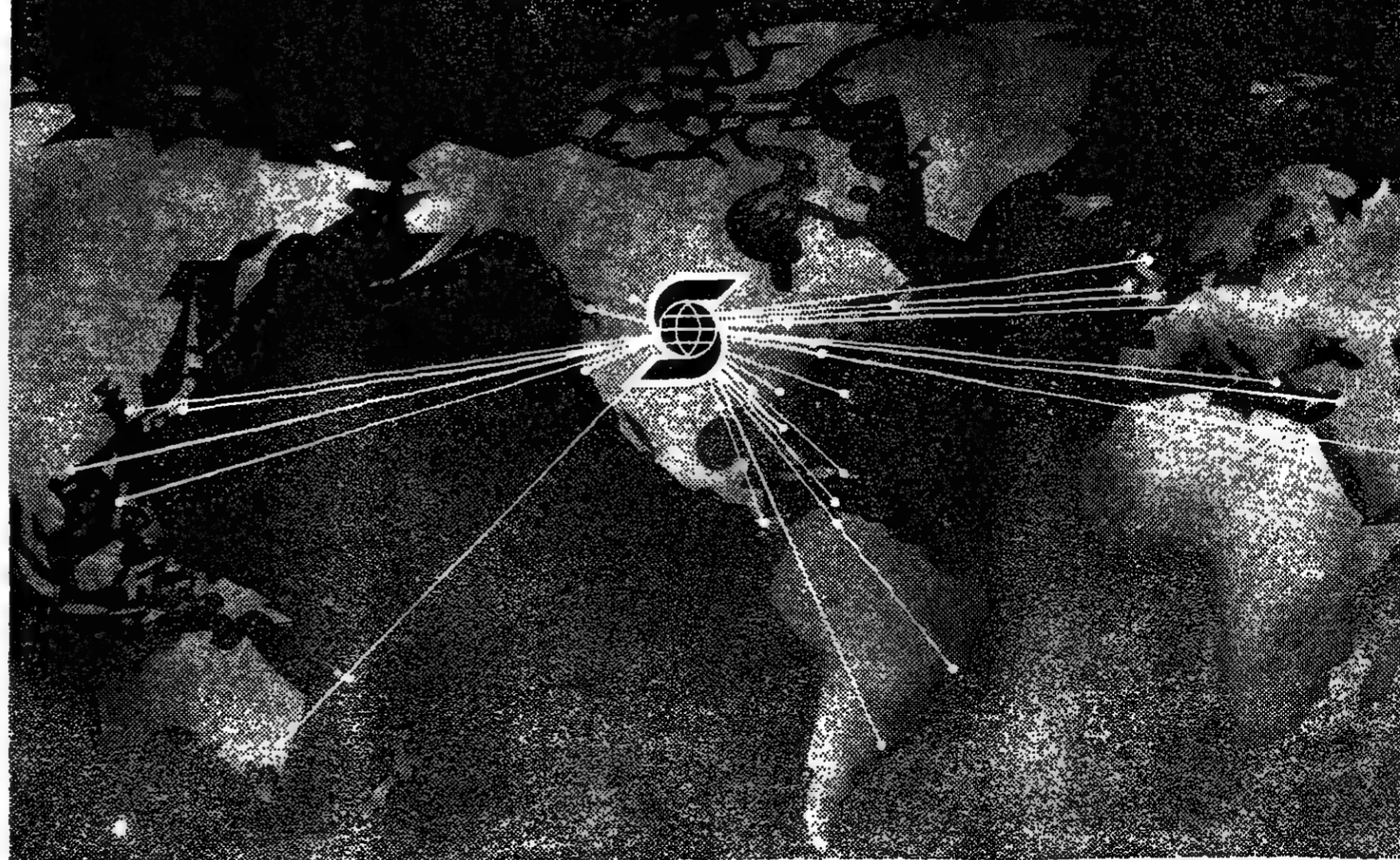
In the search for new business to ease competitive pressures and offset the loss to a provincial insurance of bodily injury coverages in Quebec, industry officials have trekked to Manitoba and British Columbia following the election of what are basically free-enterprise governments in an effort to gain re-entry to com-

pete with the provinces' auto insurance plans. While about a dozen companies are now active in British Columbia, Manitoba has been less responsive to these overtures.

In the life insurance sector, Mr. Marcel Tremblay, CLIA Chairman and President of Les Prevoyants du Canada, says the industry's expected growth may indicate a better performance in the Canadian economy than has been forecast by some economists. While mortgage holdings in 1978 fell off to a \$950m increase from one of nearly \$1bn the previous year, Mr. Tremblay said that "very significant" forward commitments in mortgage lending of more than \$1.8bn "should augur well for the Canadian economy throughout 1979 and 1980." For all life insurance companies, investments in Canada reached a total of \$33.5bn by the end of 1978, an increase of 12 per cent over the 1977 year-end total. However, shifts in buyers' attitudes have brought about dramatic changes in the life insurance marketing scene, according to Mr. J. V. Masterman, Executive Vice-President of Mutual Life Assurance of Canada. "The public seems to be more attracted to plans designed primarily to provide 'substantial protection, either for the whole of life or for a certain defined period of time. Plans that combine savings and insurance in one rigid package have fallen in popularity, and people have become more price conscious than ever before," he said.

Lawrence Welsh

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The men behind the story



Frazee of Royal

ROWLAND FRAZEE, 57, a second-generation banker, took over in January as chief executive officer of Canada's largest chartered bank, The Royal Bank of Canada, with \$42bn assets. He had been appointed president in July 1977. The bank has 1,500 branches across Canada, branches, agencies and representative offices around of regionalism.

the world and more than 35,000 employees.

Mr. Frazee, although he is well known for his friendly "family doctor" manner in public, is direct and incisive in action. He follows Canada's best-known banker, Mr. Earle McLaughlin, 63, as the Royal's chief executive. Mr. McLaughlin, who led the Royal for 18 years, continues as chairman until his retirement in 1980.

Son of a Royal Bank branch manager, Mr. Frazee joined the bank in 1939 in New Brunswick, served in the Canadian Army during World War II, returning afterwards to Dalhousie University, Halifax. On graduation he rejoined the bank, working his way up with postings across Canada, until he became executive vice-president and chief general manager in Montreal in 1973.

He is capable of being as blunt and outspoken as Mr. McLaughlin has been on issues which he feels are important and should be dealt with urgently. The Royal has taken strong public positions on such issues as the size of the public sector, the role of foreign investment, energy, Canadian dollar policy and the problems of regionalism.

"Our corporate head office remains in Montreal for the foreseeable future," he says. Quebec's future in Confederation, the province's restrictive language law and high levels of personal taxation are urgent problems which will require all Mr. Frazee's tact and determination in the next few years.

The bank has to live with the fact that its Ontario division is its most important domestically, while its regional base in Calgary is the fastest growing. The Royal was one of the first to adapt its organisation to the growth of western Canada.

Size in relation to efficiency, growing domestic competition, the advance of electronic transfer systems, the challenge of foreign business and a continuing uncertain political climate in Canada will require strong leadership.

Mr. Frazee, a seasoned world traveller, expects foreign operations to grow further, and the U.S. "is a prime target." The bank has had branch operations there for many years, but it is the wholesale banking field which interests it most. There is still plenty of room for the bank to grow, he says.

Robert Gibbons



Galt of Sun Life

THE SUN Life Assurance of Canada, with assets of C\$5.5bn and major operations in the U.S., the UK and several other countries, is Canada's largest life insurance company. Usually it prefers to keep out of the headlines, and the public is not familiar with its offices.

However, the New Year's holiday of 1978 had hardly passed when a bolt came out of the blue: Sun Life had decided to move its head office function from Montreal to Toronto.

The management of the mutualised company, whose huge stone headquarters on Dorchester Street, in the centre of Montreal, had been a landmark since the Great Depression, took this decision because of the language law being passed by the Parti Quebecois Government in Quebec City and also because of the threat of new provincial legislation which, it seemed, might affect the company's freedom to invest.

A public debate ensued between the Quebec Finance Minister, M. Jacques Parizeau, and the President of the Sun Life at the time, Thomas M. Galt. The company stuck to its guns, despite pressure to delay its decision from Ottawa. Mr. Galt, an actuary by training, and a quiet-spoken but determined executive, carried the day at the Toronto annual meeting which finally approved the move.

He argued strongly that the worldwide business of the Sun

Life could not be carried on from Montreal in the business environment being forced on the province by the Parti Quebecois Government.

He maintained publicly several times that the move of head office to Toronto, and the gradual move of staff over a period of two years or so, was not primarily political.

At this year's annual meeting in Toronto, Mr. Galt was chairman of the company, and held a Press conference afterwards. He admitted to some loss of business in Quebec and to a significant loss in sales force. But he insisted that Sun Life is still a force to be reckoned with in Quebec and that Canadian business overall was up 20 per cent last year.

Sun Life, he said, "has not abandoned Quebec and we have more agents in the province than some companies have in the whole of Canada." About 200 staff would be moving from Montreal to Toronto, but 1,400 would be remaining. Mr. Galt himself and the new president, Mr. George F. S. Clarke, will be moving to Toronto this summer.

"Mr. Parizeau and I have agreed to disagree on the question of whether Sun Life is under-invested in Quebec in relation to its business in the province. We have been over our figures with the provincial superintendent of insurance and had no great difference with him."

There can be little doubt that Sun Life's stand caused the Quebec Government to make concessions on the language of head office operations in Montreal. The Sun Life move was the final straw, and it has received more sympathy from the Francophone business community than has appeared in public.

R.G.



Belanger of Provincial

MICHEL BELANGER, a former Quebec government planner and stock-exchange president, faced two main challenges when he took over the president's chair at the Provincial Bank of Canada (La Banque Provinciale du Canada) just over two years ago.

The first was to convert the old-established Montreal-based bank, predominantly operating in Quebec, into a truly national

institution in geographic terms; the second to broaden and modernise the range of services offered to corporate and individual customers and to raise efficiency.

The Provincial Bank has come a long way in the past 20 years. Just over a decade ago, the largest single block of shares at effective control was bought by the Caisse Desjardins credit union movement, primarily to obtain clearing facilities.

The bank has operated branches in other provinces where the French Canadian population is significant, even as far west as Winnipeg. But Mr. Belanger, now 49, felt much more had to be done. Two opportunities came quite swiftly. First was the acquisition of the small but troubled Unity Bank of Canada, which gave the bank some branches outside Quebec, primarily in Ontario.

Just before last Christmas, Provincial agreed to take over Laurentide Financial, a medium-sized sales finance and leasing company based in Vancouver, but with strong ties with the East, from Power Corporation of Canada.

Provincial Bank is buying assets, but perhaps more important, English-speaking staff in some of the fastest-growing areas of Canada.

In 1970, after working in Ottawa for the Treasury Board, Mr. Belanger, trained as an economist, joined the staff of Mr. René Lévesque when he was hydraulic resources minister in the Quebec Government of Mr. Jean Lesage in 1961. He supervised the research which led to nationalisation of private power companies.

Twelve years later he was offered the presidency of the Montreal Stock Exchange. In this position he rapidly became a public figure.

Both federalists and separatists in the Quebec of today often try to claim him for their own. But Mr. Belanger is proud of what has been achieved in Quebec since the "Quiet Revolution" of the 1960s and wears no chip on his shoulder about being a French Canadian and Quebecer.

He thinks Quebec is a vital part of the Canadian mosaic and should be left to run its own affairs according to its own needs. But he feels the province has been able to develop very effectively within the confederation as it is, and that the debate over Confederation is somewhat sterile.

R.G.

Brown of Canada Permanent

ERIC BROWN of Canada Permanent has spent most of this decade wrestling with the problem of how to prepare for the trust industry's uncertain future in the next decade. For five years before becoming President of the company in 1975 he headed an internal group considering its future. Recently he became chief executive officer as well as President, and the industry's strategic problem is still foremost in his mind.

In the early years the tough-minded son of a coal miner from Stoke-on-Trent was virtually a voice in the wilderness among the senior managements of Canada's trust companies. For

years the industry had got by with traditional-style managements, and with business relationships cemented by the old boy network. Mr. Brown is not that kind of executive and the industry cannot afford them any more.

The long public debate of new banking legislation has made the trust companies' dilemma a commonplace on the financial pages now. Put very simply, Mr. Brown and his colleagues fear that Canada's powerful banks will be able to carve up the rival financial institutions before the Government gets around to enacting new legislation that would restore the competitive position of the trust

and loan companies. There is one loophole. The new banking law would at the same time make it easier for trust and loan companies to join 'em rather than fight 'em, to turn themselves into banks. This is the rationale behind Canada Permanent's discussions with the country's largest sales finance company, IAC, of an eventual marriage. This year IAC will open up its own banking operation. If Canada Permanent can get in on this already well-advanced conversion, Mr. Brown's worries about the future would be reduced.

H.A.

Mulholland of B o M

ONCE COMMITTED, William D. Mulholland, president and chief executive of the Bank of Montreal, does not give up easily. He is pushing through a legal maze of regulation to complete acquisition of 89 retail banking branches in New York from Bankers Trust Company. They have assets of around \$1bn.

Mr. Mulholland, aged 52, got the chance to compete in the difficult New York retail market when the branches were offered him last summer through an intermediary. The Bank of Montreal already had a sizeable commercial banking business, going back to before World War II. "It gives us a base to compete with our brothers more effectively when they move up here," he says.

The Bank of Montreal is Canada's third largest chartered bank and also the oldest. Assets are now almost \$34bn. There are over 1,200 branches in Canada and more than 26,000 employees. The bank operates in London and Europe and is spreading out through all the main world financial centres. Mr. Mulholland already was established and decentralised

a director in 1974 while he was president of Brimco, the Rio Tinto Zinc affiliate which built the \$1bn Churchill Falls hydro-electric project in Labrador. Mr. Mulholland was completing the turnover of the power assets to the Newfoundland Government after a surprise nationalisation. Bank of Montreal had been lagging in growth and earnings for some years, and its radical shift into electronic systems had cost a great deal more than had been expected. The Board was looking for new blood, and invited Mr. Mulholland, an American, to be president.

"The Bank of Montreal was the last place I had expected to be," says Mr. Mulholland. The bank was restructured, senior personnel brought in and a switch made to aggressive funds management and marketing. Performance has been turned around and the bank is outpacing the industry average. Mr. Mulholland has moved strongly into the management of international loans. The regional structure has been strengthened in Canada, new systems of corporate lending



management extended.

Mr. Mulholland returned from the U.S. Army planning to become a doctor, but instead he ended up at the Harvard Business School. He later joined Morgan Stanley and as an expert on electric power financing took on the task of helping to finance the Churchill project. It took him 15 years to see that through. When several top Brimco executives were killed in an air crash in November, 1969, he took over as president and completed the job.

R.G. He argued strongly that the worldwide business of the Sun

Trust companies under attack

THIS IS NOT the best time to be running a trust company or a finance company in Canada. Companies are being squeezed between the Government's high interest rate policy on the one hand and by the lack of loan demand from the private sector on the other.

In the not so distant future there is the prospect of a steady decline of new housing starts. That does not bode well for trust companies which lend mortgage money, and finance companies which often lend the money to buy the furniture.

Canada's big trust companies are essentially retail savings banks. Their principal business is to provide money for house mortgages, mostly for five-year terms but to an increasing extent in one, two, three or four-year deals.

They raise their money through the sale of investment certificates of varying maturities up to five years, through personal savings deposits and to a lesser extent in the money markets.

This arrangement means that the companies' earnings suffer whenever interest rates move up to a greater or lesser degree depending on the individual company's mix of business. That is so even during normal upswings of rates because the cost of money rises faster than the companies can raise their returns on mortgages.

What is worse, however, is that the present interest rate cycle is not normal. The principal impetus to the upward movement has been official Government policy, adopted to help defend the sagging Canadian dollar. As a result, while administered interest rates of various kinds have climbed very sharply, many market interest rates have lagged behind.

For example, between January, 1978 and January, 1979, the trend-setting Bank of Canada rate jumped 3.75 per cent, an increase matched by the rates paid by the trust companies on their savings accounts. Over the same period, the companies found themselves paying 3 per cent more to raise money for 90 days and 1 per cent more to get five-year money.

At the same time, the interest paid by their customers on mortgage loans climbed by only about 0.75 per cent. This squeeze has cut the average net interest spread earned by the major trust and loan companies to below 2 per cent and it is expected to narrow still further this year.

The consensus forecast for North American interest rates is that the peak is yet to come but is not too far off, probably at around mid-year. If this proves to be right, the trust and loan companies will find some respite late in the year. There are some pessimists, however, who believe that interest rates will keep on moving up.

The effect on a number of companies could be dramatic.

Mr. Mervyn Lahn, president of Canada Trustco, told his shareholders at the company's annual meeting to expect a 30 per cent drop in earnings per share if interest rates remained at their present levels for the rest of the year. One more upward move followed by a decline in the second half would translate into a profit decline ranging between 20 and 25 cents.

Canada Trustco is among the more interest-sensitive companies and others would not be affected quite so much. Many analysts believe that the industry's profits, overall, will be down about 10 per cent on the year, with a 20 per cent drop in the first half, partially offset

by some recovery in the second half.

Besides the extremely severe interest rate cycle, the companies have to cope with the longer term secular trend of declining housing starts. There were about 227,000 in 1978. Forecasts for this year range between 210,000 and 220,000, but there is no argument that the trend is downward.

All the big financial institutions are clamouring for more mortgage product because of the dearth of new private sector bond issues and the Government's encouragement to Canadian borrowers to go to foreign markets.

The trust companies and the affiliated mortgage loan companies are still the largest factor in the mortgage scene, but they are not getting their traditional share of the new business. The latest figures show that their mortgage holdings accounted for 32.6 per cent of the total held by private institutional lenders at the end of 1974. This is not as high as it was in 1970, down from 34.8 per cent at the end of 1974. This is not as bad a picture as for the life insurance companies, which were down to about 16 per cent from 22 per cent, but it is hurting. Substantial gains were made over the period by the banks, the credit unions and the pension funds.

As always when an industry is under pressure, merger fever is rife. One of the most intriguing moves can only be carried out after the banking legislation revisions go through, but talks are already under way. This is a possible amalgamation of Canada Permanent with the big sales finance company, IAC, and with IAC's newly fledged banking subsidiary, Continental Bank of Canada.

IAC itself is breaking new ground with its conversion into a bank. Bringing Canada Permanent in as a partner would make the process incredibly complex. But the financial operation that could emerge would be an extremely powerful competitor for the existing banks. It is one way out of the trust companies' dilemma.

Angela Barnes

Hugh Anderson



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DEPENDENT

little barley. But most of the land still fallow was destined for maize anyway.

Some farmers, though, had anticipated the frosts and had not sown their usual quantities. Their mentor had been a firm of professional weather forecasters to which a group of them subscribed. The forecast of extreme January frosts made the previous summer had been surprisingly accurate.

The same source also forecast the 1976 drought and last year's long cool summer. I asked the leader of the group, a well-known merchant, just how accurate the forecasts had been over the years and he said that they were about 80 per cent right.

I am highly sceptical about these things and certainly would not at this stage base my cropping or long-range forecasts on them. But I would not write it off altogether.

I finished my tour in the

lish farmers are apt to scoff at French dairying, because farms and herds are small, buildings poor, breeds often the unfamiliar spotted Normandy, and there is plenty of mud about. But everywhere the cows were eating either kale or grass and there appeared to be plenty of silage left, too.

Each time I take this route the proportion of black and white Friesians increases, electric fences have completely replaced hedges, tethering and other ways of confining the stock. There are obvious signs of nitrogen top dressing and Italian ryegrass.

The milk price is slightly higher than in Britain and production is rising steadily. In a few years this area will rival Ireland as a source of cheaply produced milk.

How to collapse

would only mean that the Manila talks are likely to get bogged down in issues unsettled from the past instead of moving ahead on new topics.

Third, world negotiators accused the western countries of trying to twist their arms on issues that the industrialised nations agreed three years ago at a previous Unctad meeting in

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Commodity market coverage in these columns is being extended to include prices of sugar, cocoa, coffee, yababeen meal and wool market. These prices. More U.S. futures contracts will also be covered including silver, live cattle, hogs, eggs, bellies and plywood from Chicago and orange juice and tomatoes from New York.

Grapes—Per pound 0.08-0.16
Orange Pippin 0.08-0.16; Spartan 0.10-0.12; Cartons 0.05-0.07
Per pound Conference 0.10-0.15; Pears—0.09-0.12
Cabage—Per net 3.20-4.20
Strawberry—Per 28-lb 0.80-0.90; Carrots—Per 28-lb 0.80-1.50; Corn—Per 28-lb 1.00-2.40
Rhubarb—Per 28-lb 0.15-0.20
Sweeds—Per 28-lb 0.90-0.95
Onions—Per 28-lb 0.90-1.00; Parsnips—Per 28-lb 1.00-1.20
Cucumbers—Tray 12/Tomatoes—Per pound 0.50-0.55

DOW JONES

Day	Mar.	Mar.	Month	Year
	14	13	ago	ago
Dow Jones	380.90	380.10	582.96	358.69
Dur.	385.05	395.55	277.4	243.48
	100.00	132.25	26-100	

REUTERS

Mr. 16-Mar.	14-Mar.	14-Mar.	Year ago
340.5	341.5	328.5	159.4
184.5	184.5	181.0	1921-100

DOW JONES				
Dow Jones	Mar. 14	Mar. 13	Month's ago	Year ago
Ind.	380.89	380.10	242.06	358.69
Ind. & Com.	585.05	595.55	577.4	543.42
(Average 1924-25-26-100)				

REUTERS		
Mar. 16 Mar.	14 M'th ago	Year ago
340.5	341.5	322.5
1594.5	1594.5	1594.5
(Base: September 18, 1921-100)		

OFFSHORE AND OVERSEAS FUNDS

[illegible]

FINANCE, LAND—Continued

[illegible]

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FINANCIAL TIMES

Friday March 16 1979

BELL'S
SCOTCH WHISKY
BELL'S

Brazil's economic policy to change

BY HUGH O'SHAUGHNESSY IN BRASILIA

IMPORTANT CHANGES to Brazil's economic policy were foreshadowed yesterday in the inaugural speech in Brasilia by Gen. Joa Baptista Figueiredo, the President.

He said that the farm sector would have priority in Brazil's strategy, that the fight against inflation would be stepped up, and that the country's international accounts would be brought into balance.

The emphasis he gave to the expansion of agriculture appears to be at the expense of industrial development.

Gen. Figueiredo, who will hold office for six years, said: "Much of the progress made up to now was only possible due to the mobilisation of the resources of foreign savings. I think, nevertheless, that, given the size of the Brazilian economy, we must ourselves finance the cost of our development."

The reference to the reduction of foreign borrowing comes as Brazil's total foreign debts have topped \$42bn and when it is having to spend two-thirds of its export income on servicing this.

The President gave cautious and conditional support to the idea of bringing more genuine democracy to Brazil—within the framework of the military coup d'état of 1964.

He also appeared to support a more progressive redistribution of income when he said: "The few must not have an excess while the many go without."

Gen. Figueiredo was speaking at a brief ceremony at the Planalto Palace during which he took the oath of office from the outgoing Gen. Ernesto Geisel.

But yesterday's ceremonies have not eliminated the feeling in some political quarters that the President may not serve his term.

The opposition, for instance, has this week tabled a Bill in Congress which would reduce the presidential term to two years and call a general election next year.

The motion can be expected to founder in a Congress which has a largely decorative rather than legislative function. But it is seen as significant.

There is talk among Brazilian politicians of convoking a constituent assembly within the next two or three years which could draft a new constitution.

John Evans writes: Indications that Brazil, which raised an estimated \$6.4bn in world bond and loan markets last year, is turning to a more restrictive foreign borrowing policy, will be generally welcomed by the international banking community.

With one of the world's highest debt service ratios, aggravated by the recent high cost of dollar finance, there have been question-marks over Brazil's ability to produce a sufficiently large current account surplus to reduce gross indebtedness.

However, these concerns are balanced by the fact that Brazil's foreign exchange reserves had grown to \$12bn by the end of last year enough to meet a full year's import bill.

For the international banks, the new Brazilian policy could contain some drawbacks. With plentiful international liquidity, Brazil has started to negotiate very favourable terms on new loans, and also renegotiate some old credits to obtain longer maturities.

Cabinet plans strategy after devolution defeat

BY RICHARD EVANS, LOBBY EDITOR

THE CABINET hammered out its strategy yesterday for meeting the complex political difficulties created by the Scottish referendum result, and the indications are that the Government will go all out to keep alive its commitment to set up an Edinburgh Assembly.

The Prime Minister is to make a Commons statement by the middle of next week outlining the Government's plans and Orders annulling the Scotland and Wales Acts will be tabled at the same time.

The key question will be when there will be votes on the Orders. Much as Ministers still wish to delay, the debate might have to be held in the week after next because of mounting opposition pressure.

The dilemma facing Ministers is that they could face a vote of no confidence from a combined force of Conservatives, Liberals and Nationalist MPs if they postpone a vote, but equally there would probably be an immediate vote of no confidence should the Scotland Act be killed off.

Such a vote would bring the Government perilously close to defeat and an unwelcome spring election. Mr. Callaghan would have to rely on the capricious Ulster Unionists to keep his minority government alive, and they have less reason for doing so now that the legislation increasing the number of Northern Ireland seats at Westminster is about to reach the Statute Book.

The Prime Minister's probable tactic will be to play for time by promising all-party talks on Scottish devolution. But to achieve these he will first have to hold the votes on the Orders.

An Edinburgh Assembly would remain an option only if the Government's annulment order made necessary by the failure to achieve 40 per cent of the electorate in the referendum is rejected.

The Government recommendation will be to accept the Order on the Wales Act and thus kill off Welsh devolution, but to reject the Scottish Order. Mr. Callaghan would get the support of the Nationalists and most Liberals, but the number of Labour rebels would have to be more than halved for the tactic to succeed.

Parliament, Page 12

Iran debts 'to be paid on time'

BY ANTHONY McDERMOTT IN TEHRAN

IRAN will not ask for its international debts to be rescheduled, Dr. Mohammed Ali Mowlavi, the governor of Bank Iran Markazi (the Central Bank) said yesterday.

At a press conference, he sought to give assurances that the banking system after weeks of revolution was returning to normal. He admitted there had been some delays in repayment of outstanding credits. But these had occurred because of administrative problems directly connected with the revolution.

Three days ago, he said, the Finance Ministry had issued instructions that repayment would be made within the terms of maturities specified.

On the question of the exchange rate of the Rial, the governor said it would depend on the level of oil revenues—a crucial issue that is still undecided.

Dr. Mowlavi concentrated in particular on incentives to get the economy moving again. Economic activity is now stagnant as a result of politically motivated strikes.

It had been decided to offer loans to industry through certain specialised banks at well below the usual interest terms of 14 per cent or more. This is to enable them to solve their liquidity problems. The only requirement would be that these loans would not be used solely for wages but rather for investment.

Central Bank loans to commercial banks would carry an interest rate of 2.5 per cent. These banks would not be able to add a margin of more than 1.5 per cent, resulting in an overall charge of 4 per cent.

Studies on banking aid to the much-neglected agricultural sector are still under way. Within the Central Bank it is being said that the interest rate for the agricultural sector would be lower. (In deference to the Islamic banking code, "interest" is now formally referred to as "commission.")

Dr. Mowlavi went out of his way to demonstrate that the banking system had recovered. In the week starting February 11, some 137,000 cheques had been cleared. But given that there were some 40 branches in operation in Tehran alone before the revolution, this is not an impressive figure.

The revolutionary side of the new regime at the Central Bank was demonstrated at the conference by a display of new notes printed by De La Rue. These showed notes of 5,000 and 10,000 rials on which the Shah's features—but not the watermarks—had been obliterated.

Islam and modernism in confrontation, Page 4

Guarantees sought for small firms' loans

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A FINAL attempt to persuade the clearing banks to set up a guarantee scheme for their loans to small firms is likely to be launched soon by Mr. Harold Lever, Chancellor of the Duchy of Lancaster.

This follows the publication yesterday of a report by the Wilson Committee on Financial Institutions which both criticises the banks for their treatment of small firms and recommends the introduction of a State-backed guarantee scheme.

The report also recommends that the Government should set up an English Development Agency for small companies which would have powers to provide equity as well as loans. It also suggests that a special type of investment trust called a small businesses investment company qualifying for special personal taxation exemptions should be promoted by the Government.

For some time Mr. Lever has been trying to persuade the clearing banks, through contacts made by the Bank of England, to set up their own guarantee scheme with little or no State support.

The banks have refused to do this and Mr. Lever, who will today announce the Government's response to the Wilson report, is believed to be considering making a personal plea.

Launching the report yesterday, Sir Harold Wilson, chairman of the Committee, indicated that he was sorry that it did not include any general recommendations about lowering taxation levels for small firms.

This was criticised last night by most small firms' lobbyists, including the Confederation of British Industry. But the Union of Independent Companies said it would have been wrong to have put yesterday's report at risk by trying to force taxation recommendations through.

Wilson Committee report Page 10
Editorial Comment Page 22

Egypt's Cabinet

unannounced visit to Riyadh on Wednesday night in an attempt to soften Saudi Arabian opposition to the proposed treaty. He is understood to have met King Khalid and Crown Prince Fahd after the monarch had talked on the telephone to President Numeiri of the Sudan.

Mr. Mubarak is unlikely to make much impression on the Saudi leadership, which is angered at not having been consulted about last week's peace moves. Moreover, last week President Carter turned down an invitation to visit the kingdom.

It had been accompanied by a message from Prince Saud al-Faisal, Foreign Minister, saying that Saudi Arabia would be obliged to join any general Arab move to impose sanctions on Egypt in line with the resolutions adopted by the Baghdad summit last November.

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For the international banks, the new Brazilian policy could contain some drawbacks. With plentiful international liquidity, Brazil has started to negotiate very favourable terms on new loans, and also renegotiate some old credits to obtain longer maturities.

Injection of £450m to aid bank liquidity

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE BANK of England yesterday took further action to ease the severe liquidity pressures on the banking system produced by the recent very large sales of gilt-edged stock and other government debt.

Funds totalling about £450m are to be injected into the system early next week, in addition to £300m temporarily released last month.

The Bank stressed yesterday that the move implied no change in monetary policy and was "solely a technical market-smoothing operation, intended to avoid greater pressure than is necessary to achieve continuing monetary restraint."

The news did nothing to prevent a decline in the price of gilt-edged stock. There was speculation about a possible new issue, or issues, this afternoon and in this trading conditions the FT Government Securities index declined by 1½ per cent.

Pressure is being eased through a temporary release of special deposits which have to be held by the banks at the Bank of England. A total of £250m will be directly released in this way and nearly £200m more will come in a similar relief to the cleaners.

This will reduce the special deposits from 1 per cent to nil, compared with 3 per cent in month ago. But 1 per cent will be recalled (as previously announced) on March 30, with a further 1 per cent due on April 23, after the start of the new banking year.

An added complication is that bank lending appears to be buoyant, and the authorities are reluctant to drain funds from the system until they are clear how much of any rise in advances is temporary and caused by the disruptive effects of the bad weather and recent strikes. This is why the Minimum Lending Rate was left unchanged yesterday at 13 per cent.

Bank handled Gilts issues 'inadequately'

BY CHRISTINE MOIR

THE BANK of England's handling of the two Gilts issues on February 22 was inadequate, according to the Council for the Securities Industry. But stockbrokers who left their applications to the last moments must share the blame, it says.

"The Bank failed to provide such facilities for the receipt of applications as the investing public was entitled to expect," the report from the four-man sub-committee of the council says.

The committee hopes that "substantial changes" will be made to the facilities, including opening "a new issue counter on the ground floor for ready expansion in special circumstances."

The Bank has already responded to the criticism. It intends to install a continuous counter in the New Issues department, set aside more lifts for applicants, and open the stairs.

The sub-committee, headed by Mr. Patrick Neill, QC, chairman of the council, has been studying complaints from Joseph Sebag and Vickers da Costa, the stockbrokers, about events which led to what has been dubbed "the battle of Watling Street."

The Bank closed its three counters at 10.01 am with the two issues unprecedentedly oversubscribed—one by six times and the other by ten—and with trouble the number of applications seen for any previous issue.

The committee acknowledges that the Bank went some way to preparing for the flood of applications by double manning each counter, but not far enough.

Sebag and Vickers had also asked the Council to rule on whether the Bank's action created a false market on the first day of dealing, since banks, investment houses and stockbrokers who had been locked out when the counters shut, poured into the market to make good their clients' losses.

The committee did not rule on this contention because it accepted the Bank's claim that the daily market dealings on the first day simply represented keen competition.

Continued from Page 1

Polish debts

due in periods between one year and five years. Long-term debt totals \$7.6bn, and matures after five years. A token \$85m is denominated in units of account of over one year's duration.

A detailed breakdown of maturing debt shows that \$4.1bn is due for repayment this year, while hard currency exports are projected at \$3.2bn and imports at \$6.8bn.

Services and remittance inflows total \$1.4bn, and outflows \$2.1bn, producing an overall \$1.4bn current account deficit this year.

By next year, the ratio of debt payments to hard currency exports and services earnings is projected to fall to 44 per cent, based on maturing debts and interest of \$3.8bn and earnings of \$8.6bn.

While a small trade surplus is expected, the shortfall on services account should still produce a current account deficit in the order of \$550m.

There should be an improvement in the trade position in 1981 to a surplus of \$870m, with exports rising to nearly \$8bn.

While services will remain in deficit, an overall current account surplus of \$320m is planned. This improvement is expected to continue with current account surpluses rising from \$1bn in 1982 up to \$3.6bn by 1985.

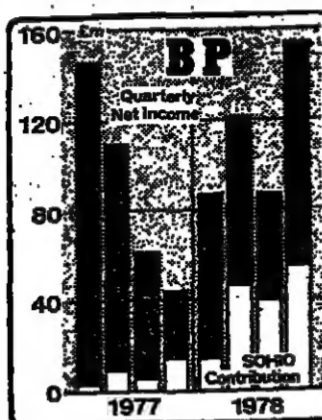
One particular source of concern to Western banks has been the profile of the debt owed by Poland. It has been felt the burden in the next few years could jeopardise its international banking standing, even to the extent of some form of debt rescheduling.

Repayment of loans with maturities between one and five years peak at \$2.7bn this year, falling to \$2.4bn next year and \$1.5bn in 1981.

THE LEX COLUMN

The BP profits gush begins

Index fell 7.2 to 502.7



BP's figures show the anticipated fourth quarter jump in profits as the tightening oil market began to allow an improvement in trading margins. Net final quarter income was £170m before currency translation effects, up from £120m in the third, and for 1978 as a whole BP reported net income of £444m (after currency changes) against £385m in 1977.

The 1978 profits are flattered by the sharply higher contribution from Sohio, now a subsidiary, although in practice BP gets its hands on nothing but a dividend. Without Sohio group income actually fell 11 per cent to £292m.

A year ago the shares were at £7.20, worried that BP would do no better in 1978 than it has, in fact, done. Now last year is history, and the shares are at £11. Downstream margins have been better than ever in the first quarter of the current year, and there will be more oil from Alaska this year than last, a maintained strong flow from the Forties Field and an increasing trickle from Ninian. On this basis, the 1978 last quarter performance could be a quarterly norm for the current year, and stock profits will be shown in the top. The market is expecting BP to make a net £750m or so in 1979, and some analysts are pushing their forecasts out beyond £900m.

The danger is that from now on things may become rather harder. A new OPEC price rise would generate another round of stock profits, but once the oil supply position is more regular it might be impossible for the oil companies to pass on the increased cost—margins may already be passing their peak. The first half of 1979 will look very good, but the second half may not match it, and 1980 may not be as good as 1979. Assuming earnings per share this year, on an £D18 basis, of 195p, the p/e falls from an historic 10.6 to about 5½: the yield is 3.4 per cent, waiting for dividend freedom.

Although Lomho has been given the all-clear to bid for SUITS, it is not clear what happens next. All paper offer for the 70 per cent or so of SUITS which it does not already own would require Lomho to dilute its equity very substantially. And new financial data in the Monopolies report suggests that it would be pressed to pay cash. The likely attitude of Lomho's Kuwaiti shareholders adds a further dash of uncertainty to the story.

Lomho

Whatever happens in the short term, however, the report should do Lomho good. The commission comments favourably on Lomho's treatment of acquisitions in the past, on its entrepreneurial drive and its industrial and commercial experience. And it says that the group is not "unduly dependent" on the achievements of its chief executive.

Weather

UK TODAY
OUTBREAKS of rain sleet or snow in England and Wales. Bright intervals with snow or hail in Ulster and the North. London, E., S., Cent. England, Channel Isles, Midlands, S. Wales.

Cloudy, outbreaks of rain, sleet or snow with some drifting. N. Wales, N.W. England, S.W. Scotland, Isle of Man, Argyll. Bright or sunny intervals. Isolated wintry showers.

N.W. Scotland Ulster
Bright intervals and showers of snow or hail
Rest of Scotland, Shetland, N.E. England
Bright intervals, frequent showers of snow or hail with local thunder.

● Outlook: Continuing cold
● Long-range forecast: More snow in some parts. Cold and wet with snow in the East at times.

WORLDWIDE			
	Y'day	midday	Y'day
	°C	°C	°F
Algeria	13	15	55
Amman	17	19	63
Ankara	11	13	51
Baghdad	22	24	72
Bahia	28	30	82
Bombay	28	30	82
Buenos Aires	15	17	59
Calcutta	28	30	82
Cairo	22	24	72
Cardiff	8	10	46
Cebu	28	30	82
Colon	28	30	82
Dhaka	28	30	82
Dublin	10	12	50
Edinburgh	8	10	46
Geneva	10	12	50
Hong Kong	28	30	82
London	10	12	50
Lyons	10	12	50
Madrid	15	17	59
Manchester	10	12	50
Medan	28	30	82
Meppen	10	12	50
Moscow	10	12	50
Paris	10	12	50
Rangoon	28	30	82
Reykjavik	10	12	50
Rome	10	12	50
Singapore	28	30	82
Sofia	10	12	50
Taipei	28	30	82
Tokyo	10	12	50
Ulan Bator	10	12	50
Yokohama	10	12	50

RECORD RESULTS FOR HENLYS IN '78

In the year to 30th September, 1978, Henlys Limited, the motor distributors, achieved the highest results in its history. In summary these were:-

	1978	1977
Turnover	£191,000,000	£160,200,000
Profit before taxation	£5,702,000	£4,322,000
Earnings per Ordinary Share	29.1p	25.8p
Dividend per Ordinary Share	8.71p	6.6545p

At the Annual General Meeting, held yesterday in London, Chairman and Managing Director, Mr. Gordon Chandler, said:-

"Expectations of a good result for 1977/78 have been borne out by the profit achieved, which was a record.

The first four months of the current financial year to end-January were similar to last year, but February was comparatively quiet due to severe weather and cumulative difficulties caused by the prolonged haulage strike.

I remain confident about 1979 in spite of the possibility of a tough Budget. Our "rights" issue and the new Leyland stock financing scheme will have provided fresh working capital, increased contributions from our other activities and expectations of a continuing healthy market for cars means we are well placed to take advantage of opportunities to develop and expand our business."

HENLYS
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